

# **Cabinet Office Ordinance on Funds Transfer Service Providers**

(Cabinet Office Ordinance No. 4 of March 1, 2010)

The Prime Minister hereby issues the Cabinet Office Ordinance on Funds Transfer Service Providers based on the provisions of and for the purpose of enforcing the Payment Services Act (Act No. 59 of 2009) and the Order for Enforcement of the Payment Services Act (Cabinet Order No. 19 of 2010).

Chapter I General Provisions (Article 1 - Article 10)

Chapter II Business (Article 11 - Article 32)

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Supplementary Provisions

## **Chapter I General Provisions**

(Definition)

Article 1 The terms "Funds Transfer Service", "Funds Transfer Service Provider", "Foreign Funds Transfer Service Provider", "Certified Association for Payment Service Providers", "Trust Company, etc." and "Deposit-taking Institutions" as used in this Cabinet Office Ordinance mean Funds Transfer Service, Funds Transfer Service Provider, Foreign Funds Transfer Service Provider, Certified Association for Payment Service Providers, Trust Company, etc. and Deposit-taking Institutions as prescribed in Article 2 of the Payment Services Act (hereinafter referred to as the "Act"), respectively.

(Attachment of a Translation)

Article 2 If there is a document to be submitted to the Commissioner of the Financial Services Agency (in the case where the authority of the Commissioner of the Financial Services Agency has been delegated to the Directors-General of Local Finance Bureaus or the Director General of the Fukuoka Local Finance Branch Bureau (hereinafter referred to as the "Directors-General of Local Finance Bureaus, etc.") pursuant to the provisions of Article 29 (1) of the Order for Enforcement of the Payment Services Act (hereinafter referred to as the "Order"), said Directors-General of Local Finance Bureaus, etc.; hereinafter the same shall apply except in Article 12, Article 19 (v), and Article 20) pursuant to the provisions of the Act (limited to Chapter III; the same shall apply in the following Article), the Order (limited

to Chapter III; the same shall apply in the following Article), or this Cabinet Office Ordinance that cannot be prepared in Japanese under special circumstances, a Japanese translation shall be attached to said document; provided, however, that if said document is the articles of incorporation prepared in English, it is sufficient to attach a Japanese translation of the summary thereof.

(Foreign Currency Conversion)

Article 3 If a document to be submitted to the Commissioner of the Financial Services Agency pursuant to the provisions of the Act, the Order, or this Cabinet Office Ordinance contains items indicated in a foreign currency, the equivalent amounts converted to Japanese currency and the standard used for the conversion shall be included in the supplementary notes to said document.

(Application for Registration)

Article 4 A person intending to obtain a registration under Article 37 of the Act shall submit to the Commissioner of the Financial Services Agency a written application for registration set forth in Article 38 (1) of the Act prepared using appended Form 1 (in the case of a Foreign Funds Transfer Service Provider, appended Form 2) by attaching two copies of said written application for registration and the documents set forth in paragraph (2) of said Article.

(Other Matters to be Stated in Written Application for Registration)

Article 5 Matters specified by a Cabinet Office Ordinance as prescribed in Article 38 (1) (x) of the Act shall be the following matters:

- (i) The time of day at which the amount of outstanding obligations in the process of funds transfer (meaning the amount of outstanding obligations in the process of funds transfer prescribed in Article 43 (2) of the Act) is calculated on each business day and the method for calculation;
- (ii) The location and contact address of the business office that will respond to complaints or requests for consultation from the users of the Funds Transfer Service; and
- (iii) Name of the Certified Association for Payment Service Providers of which the person who submits the written application for registration is a member.

(Documents to be Attached to Written Application for Registration)

Article 6 Documents specified by a Cabinet Office Ordinance as prescribed in Article 38 (2) of the Act shall be the following documents (in the case of a document certified by a public agency, limited to one issued within three months prior to the date of application):

- (i) A document prepared using appended Form 3 pledging to the effect that the

- applicant does not fall under any of the items of Article 40 (1) of the Act;
- (ii) Extract of the certificate of residence of its Directors, etc. (meaning Directors, etc. prescribed in Article 40 (1) (x) of the Act; hereinafter the same shall apply) (in the case where said Directors, etc. are foreign nationals, a copy of an alien registration certificate or a certificate of completion of alien registration) or any substitute thereof;
  - (iii) A certificate by a public agency proving to the effect that its Directors, etc. do not fall under Article 40 (1) (x) (a) or (b) of the Act (in the case where said Directors, etc. are foreign nationals, a written pledge prepared using appended Form 4) or any substitute thereof;
  - (iv) A curriculum vitae of Directors, etc. of the applicant or a history of the applicant prepared by using appended Form 5 or Form 6;
  - (v) The register of shareholders prepared using appended Form 7 and the articles of incorporation and a certificate of registered matters or any substitute thereof;
  - (vi) In the case of a Foreign Funds Transfer Service Provider, a document proving that it is a person who carries out funds transfer transactions (Kawase transactions) in the course of trade in a foreign state under the registration of the same kind as the registration under Article 37 of the Act pursuant to the provisions of laws and regulations of said foreign state (including permission or other administrative dispositions similar to said registration);
  - (vii) The latest balance sheet (including the related notes) and profit and loss statement (including the related notes) or any substitute thereof (in the case of a juridical person established in a business year that includes the date of the application for registration, the balance sheet as of the date of establishment prepared pursuant to the provisions of Article 435 (1) of the Companies Act (Act No. 86 of 2005) or any substitute thereof);
  - (viii) In the case of a company with accounting auditors, a document containing the contents of the accounting audit report prepared pursuant to the provisions of Article 396 (1) of the Companies Act for the business year immediately preceding the business year that includes the date of the application for registration;
  - (ix) A document stating the expected income and expenditure from the Funds Transfer Service for the three business years after the commencement of the business;
  - (x) An organization chart concerning the Funds Transfer Service (including organizations that perform the operations pertaining to internal controls);
  - (xi) A curriculum vitae of the person responsible for the management of the Funds Transfer Service;
  - (xii) Internal rules concerning the Funds Transfer Service (meaning internal

rules and other documents equivalent thereto; the same shall apply in Article 32);

(xiii) Contract documents used in carrying out funds transfer transactions (Kawase transactions) with the users of the Funds Transfer Service;

(xiv) In the case where the Funds Transfer Service is entrusted to a third party, the contract document pertaining to said entrustment contract; and

(xv) Other documents containing other relevant matters.

(Notice to Applicant)

Article 7 When the Commissioner of the Financial Services Agency gives a notice of registration prescribed in Article 39 (2) of the Act, he/she shall give it by a written notice of completion of registration prepared using appended Form 8.

(Public Inspections of Funds Transfer Service Provider Registry)

Article 8 The Commissioner of the Financial Services Agency shall keep the registry of Funds Transfer Service Providers pertaining to the registered Funds Transfer Service Provider at the Local Finance Bureau or the Fukuoka Local Finance Branch Bureau having jurisdiction over the location of the head office of said Funds Transfer Service Provider (in the case of a Foreign Funds Transfer Service Provider, its principal business office in Japan; hereinafter the same shall apply) and make it available for public inspection.

(Notice of Refusal of Registration)

Article 9 If the Commissioner of the Financial Services Agency gives a notice prescribed in Article 40 (2) of the Act, he/she shall give it by a written notice of refusal of registration prepared using appended Form 9.

(Notification of Changes)

Article 10 (1) If a Funds Transfer Service Provider intends to make a notification pursuant to the provisions of Article 41 (1) of the Act, he/she shall submit to the Commissioner of the Financial Services Agency a written notice of changes prepared using appended Form 10 by attaching two copies of said written notice of changes and documents specified in the following items for the categories of cases respectively prescribed therein (in the case of a document certified by a public agency, limited to one issued within three months prior to the date of notification):

(i) In the case of a change in the trade name: A certificate of registered matters that contains the matters pertaining to said change or any substitute thereof, and a document prepared using appended Form 3 pledging to the effect that the Funds Transfer Service Provider does not fall under any of the items of Article 40 (1) of the Act;

- (ii) In the case of a change in the amount of capital: A certificate of registered matters that contains the matters pertaining to said change or any substitute thereof;
- (iii) In the case of establishment or abolition of a business office or a change in the location of a business office (excluding cases as listed in item (ix)): A certificate of registered matters that contains the matters pertaining to said change;
- (iv) In the case of a change in the Directors, etc. : Documents listed in Article 6 (ii) through (iv) that pertain to the person who newly became a Director, etc. , documents listed in item (v) of said Article that pertain to said change, and a document prepared using appended Form 3 pledging to the effect that the Funds Transfer Service Provider does not fall under any of the items of Article 40 (1) of the Act;
- (v) In the case of a change in the major shareholders (meaning a shareholder who holds voting rights exceeding ten percent of the voting rights held by all the Shareholders (excluding the voting rights of the shares which cannot be exercised for all matters that are subject to a resolution at a general meeting of shareholders and including the voting rights of the shares for which the shareholder shall be deemed to have voting rights under the provisions of Article 879 (3) of the Companies Act)): The register of shareholders prepared using appended Form 7;
- (vi) In the case of a change in the contents or methods of the Funds Transfer Service: The documents listed in Article 6 (x) through (xiii) that pertain to the matters that have been changed;
- (vii) In the case of a change in the contents of business that has been entrusted or a person to whom business is entrusted: The documents listed in Article 6 (xiv) that pertain to the matters that have been changed;
- (viii) In the case of a change in the other businesses: A certificate of registered matters that contains the matters pertaining to said change or any substitute thereof;
- (ix) In the case where a Funds Transfer Service Provider who has obtained the registration under Article 37 of the Act from the Director-General of a Local Finance Bureau, etc. has changed the location of its head office to an area over which another Director-General of another Local Finance Bureau, etc. has jurisdiction: The document prescribed in item (iii) and a written notice of completion of registration under Article 7 that was delivered prior to said change; and
- (x) In the case where the Funds Transfer Service Provider has become a member of a Certified Association for Payment Service Providers or has withdrawn from one: A document that can demonstrate the fact that the Funds Transfer Service Provider has become a member of a Certified

- Association for Payment Service Providers or has withdrawn from one.
- (2) If a notification is made under the preceding paragraph in the case set forth in item (ix) of said paragraph, the Director-General of a Local Finance Bureau, etc. shall notify the Directors-General of the other Local Finance Bureau, etc. referred to in said item to the effect that said notification has been made.
- (3) The Director-General of a Local Finance Bureau, etc. who has received the notification under the preceding paragraph shall register the matters notified of in the registry of Funds Transfer Service Providers and notify the person who made said notification of said registration by the written notice of completion of registration prescribed in Article 7.

## **Chapter II Business**

(Making of Security Deposit for Providing Funds Transfer Services to the Local Deposit Office)

- Article 11 (1) The period specified by a Cabinet Office Ordinance as prescribed in Article 43 (1) of the Act shall be one week.
- (2) The amount of outstanding obligations in the process of funds transfer prescribed in Article 43 (2) of the Act shall be the amount of obligations borne by said Funds Transfer Service Provider to the users in Japan pertaining to funds transfer transactions (Kawase transactions) (in the case where the amount of obligations borne to the users in Japan cannot be distinguished from those borne to the overseas users, the amount of obligations borne by said Funds Transfer Service Provider to all users pertaining to funds transfer transactions (Kawase transactions)) at the time of calculation of the amount of outstanding obligations in the process of funds transfer on each business day.
- (3) In the case where a Funds Transfer Service Provider has claims against users who are creditors pertaining to obligations borne by the Funds Transfer Service Provider in relation to funds transfer transactions (Kawase transactions) that it carries out, the Funds Transfer Service Provider may calculate the amount of outstanding obligations in the process of funds transfer set forth in the preceding paragraph as a total of the amounts calculated for each of said users by deducting the amount of said claims from the amount of said obligations.
- (4) In the case where a funds transfer transaction (Kawase transaction) is carried out in an amount indicated in foreign currency, the amount of outstanding obligations in the process of funds transfer set forth in paragraph (2) shall be calculated by converting the amount indicated in foreign currency to an amount indicated in Japanese currency using the foreign exchange rate on each business day.
- (5) The amount of costs pertaining to the procedure for the execution of the right

as prescribed in Article 43 (2) of the Act shall be the amount calculated in accordance with the methods listed in the following items for the categories respectively prescribed therein:

- (i) In the case where the amount of outstanding obligations in the process of funds transfer calculated in accordance with the provisions of paragraph (2) is not more than one hundred million yen: The amount obtained by multiplying said amount of outstanding obligations in the process of funds transfer by five percent; and
  - (ii) In the case where the amount of outstanding obligations in the process of funds transfer calculated in accordance with the provisions of paragraph (2) is more than one hundred million yen: The amount obtained by adding five million yen to an amount obtained by multiplying the amount remaining after deducting one hundred million yen from said amount of outstanding obligations in the process of funds transfer by one percent.
- (6) In the case where succession of the Funds Transfer Service occurs, until the person who has succeeded to said business makes a security deposit for providing Funds Transfer Services to the Local Deposit Office in an amount not less than the Required Amount of Deposit (meaning the Required Amount of Deposit prescribed in Article 43 (1) of the Act; hereinafter the same shall apply) pursuant to the provisions of said paragraph (including the case where said person concludes a guarantee contract of security deposit of providing Funds Transfer Services (meaning the guarantee contract of security deposit of providing Funds Transfer Services prescribed in Article 44 of the Act; hereinafter the same shall apply) in lieu of making of the whole or part of the security deposit for providing Funds Transfer Services to the Local Deposit Office pursuant to the provisions of said Article and notifies the Commissioner of the Financial Services Agency to that effect) or concludes a trust contract of security deposit of providing Funds Transfer Services (meaning the trust contract of security deposit of providing Funds Transfer Services prescribed in Article 45 (1) of the Act; hereinafter the same shall apply) pursuant to the provisions of said Article by obtaining the approval of the Commissioner of the Financial Services Agency and places trust property in the trust under the trust contract in lieu of making of the whole or part of the security deposit for providing Funds Transfer Services to the Local Deposit Office on the business day of said Funds Transfer Service Provider immediately following the date of approval in an amount not less than the Required Amount as Security for Providing Funds Transfer Services (meaning the Required Amount as Security for Providing Funds Transfer Services prescribed in Article 43 (2) of the Act; hereinafter the same shall apply) on the immediately preceding business day, the security deposit for providing Funds Transfer Services, guarantee contract of security deposit of providing Funds Transfer Services, or trust contract of

security deposit of providing Funds Transfer Services that has been made or concluded by the person from whom said business has been succeeded shall be deemed to be made or concluded on behalf of the person who has succeeded to said business.

(Types of Bond Certificates That Can Be Used for Security Deposit for Providing Funds Transfer Services)

Article 12 Bond certificates specified by a Cabinet Office Ordinance as prescribed in Article 43 (3) of the Act shall be the following bond certificates:

- (i) National government bond certificates (including those the ownership of the right of which is determined based on the statement or record in the book-entry transfer account registry under the provisions of the Act on Transfer of Bonds, Shares, etc. (Act No. 75 of 2001); the same shall apply in Article 19 (v));
- (ii) Local government bond certificates;
- (iii) Government guaranteed bond certificates (meaning those securities listed in Article 2 (1) (iii) of the Financial Instruments and Exchange Act (Act No. 25 of 1948) for which the government guarantees payment of the principal and interest; the same shall apply in Article 20 (2) (iii)), and
- (iv) Corporate bond certificates or any other bond certificates specified by the Commissioner of the Financial Services Agency.

(Appraised Value of Bond Certificates That Can Be Used for Security Deposit for Providing Funds Transfer Services)

Article 13 (1) The appraised value of bond certificates that are deposited to fulfill the security deposit for providing Funds Transfer Services requirement pursuant to the provisions of Article 43 (3) of the Act shall be the amount specified in the following items for the categories of bond certificates respectively prescribed therein:

- (i) Bond certificates specified in item (i) of the preceding Article: The face value (for those the ownership of the right of which is determined based on the statement or record in the book-entry transfer account registry under the provisions of the Act on Transfer of Bonds, Shares, etc., the amount stated or recorded in the book-entry transfer account registry; hereinafter the same shall apply in this Article);
- (ii) Bond certificates specified in item (ii) of the preceding Article: The amount calculated by deeming every one hundred yen of the face value to be ninety yen;
- (iii) Bond certificates specified in item (iii) of the preceding Article: The amount calculated by deeming every one hundred yen of the face value to be ninety-five yen; and



(iv) Bond certificates specified in item (iv) of the preceding Article: The amount calculated by deeming every one hundred yen of the face value to be eighty yen.

(2) With regard to bond certificates that have been issued on a discount basis, the provisions of the preceding paragraph shall apply by deeming the amount obtained by adding the amount calculated by the following formula to the issue price to be the face value:

$$\frac{(\text{face value} - \text{issue price})}{\text{number of years from the issue date to the redemption date}} \times (\text{number of years from the issue date to the deposit date})$$

(3) In the calculation by the formula set forth in the preceding paragraph, fractions below one year shall be omitted for the number of years from the issue date to the redemption date and the number of years from the issue date to the deposit date, and fractions below one yen shall be omitted for the amount obtained by dividing the difference between the face value and the issue price by the number of years from the issue date to the redemption date.

(Notification of Guarantee Contract of Security Deposit of Providing Funds Transfer Services)

Article 14 A person who makes a notification under Article 44 of the Act shall submit to the Commissioner of the Financial Services Agency a written notice of guarantee contract of security deposit of providing Funds Transfer Services prepared using appended Form 11 by attaching a copy of the guarantee contract of security deposit of providing Funds Transfer Services document.

(Requirements to Be Satisfied by Banks, etc. for Conclusion of a Guarantee Contract of Security Deposit of Providing Funds Transfer Services)

Article 15 (1) The category for one that is determined to have sound equity capital as specified by Cabinet Office Ordinances as prescribed in Article 16 (1) of the Order shall be the category specified in the following items for the type of Deposit-taking Institutions respectively prescribed therein:

(i) Banks (excluding Branch Offices of Foreign Banks (meaning the Branch Offices of Foreign Banks prescribed in Article 47 (2) of the Banking Act (Act No. 59 of 1981); the same shall apply in item (vi)); the same shall apply in the following item), Long-term Credit Banks, or federations of Shinkin Banks that have Overseas Business Locations: The Non-consolidated Capital Adequacy Ratio under the International Uniform Standard included in the latest explanatory document on the status of business and property (in the case where there is a explanatory document pertaining to the interim business year of the business year immediately following the business year pertaining to said explanatory document, said explanatory document) shall be not less than eight percent;

- (ii) Banks, Long-term Credit Banks, or federations of Shinkin Banks or Shinkin Banks that do not have Overseas Business Locations: The Non-consolidated Capital Adequacy Ratio under the Domestic Standard included in the latest explanatory document on the status of business and property (in the case where there is a explanatory document pertaining to the interim business year of the business year immediately following the business year pertaining to said explanatory document, said explanatory document) shall be not less than four percent;
  - (iii) Labor banks, federations of labor banks, credit cooperatives, federations of credit cooperatives engaging in the business prescribed in Article 9-9 (1) (i) of the Small and Medium Sized Enterprises, etc. Cooperatives Act (Act No. 181 of 1949), agricultural cooperative or federations of agricultural cooperative engaging in the business prescribed in Article 10 (1) (iii) of the Agricultural Cooperatives Act (Act No. 132 of 1947), fisheries cooperative engaging in the business prescribed in Article 11 (1) (iv) of the Fisheries Cooperatives Act (Act No. 242 of 1948), federations of fisheries cooperatives engaging in the business prescribed in Article 87 (1) (iv) of said Act, fishery processing cooperative engaging in the business prescribed in Article 93 (1) (ii) of said Act, or federations of fishery processing cooperatives engaging in the business prescribed in Article 97 (1) (ii) of said Act: The Non-consolidated Capital Adequacy Ratio included in the latest explanatory document on the status of business and property shall be not less than four percent;
  - (iv) Norinchukin Bank: The Non-consolidated Capital Adequacy Ratio included in the latest explanatory document on the status of business and property shall be not less than eight percent;
  - (v) The Shoko Chukin Bank Limited: The Non-consolidated Capital Adequacy Ratio included in the latest explanatory document on the status of business and property (in the case where there is a explanatory document pertaining to the interim business year of the business year immediately following the business year pertaining to said explanatory document, said explanatory document) shall be not less than eight percent; and
  - (vi) Branch Offices of Foreign Banks: The Foreign Banks (meaning the Foreign Banks prescribed in Article 10 (2) (viii) of the Banking Act) pertaining to said Branch Offices of Foreign Banks shall satisfy the criteria that are equivalent to the criteria prescribed in Article 14-2 of said Act and apply to said Foreign Banks in their respective foreign states.
- (2) The term "Overseas Business Locations" as used in items (i) and (ii) of the preceding paragraph means branches or secondary offices located overseas or foreign companies engaging in the banking business (limited to those more than fifty percent of voting rights held by all the shareholders, members or equity investors of which are held by Banks, Long-term Credit Banks, or

federations of Shinkin Banks) that have full-time officers or employees at their location.

- (3) The term "International Uniform Standard" as used in paragraph (1) (i) means the standard prescribed in the following paragraph that pertains to Banks, Long-term Credit Banks, or federations of Shinkin Banks that have Overseas Business Locations (meaning the Overseas Business Locations prescribed in the preceding paragraph; the same shall apply in paragraph (5)).
- (4) The term "Non-consolidated Capital Adequacy Ratio" as used in paragraph (1) (i) and (ii) means the ratio obtained by the formula pertaining to the standard prescribed in Article 14-2 (i) of the Banking Act (including the cases where it is applied mutatis mutandis pursuant to Article 17 of the Long-term Credit Bank Act (Act No. 187 of 1952) or Article 89 (1) of the Shinkin Bank Act (Act No. 238 of 1951)).
- (5) The term "Domestic Standard" as used in paragraph (1) (ii) means the standard prescribed in the preceding paragraph that pertains to Banks, Long-term Credit Banks, or federations of Shinkin Banks or Shinkin Banks that do not have Overseas Business Locations.
- (6) The term "Non-consolidated Capital Adequacy Ratio" as used in paragraph (1) (iii) means: for labor banks, federations of labor banks, credit cooperatives, federations of cooperatives engaging in the business prescribed in Article 9-9 (1) (i) of the Small and Medium Sized Enterprises, etc. Cooperatives Act, the ratio obtained by the formula pertaining to the standard prescribed in Article 14-2 (i) of the Banking Act as applied mutatis mutandis pursuant to Article 94 (1) of the Labor Bank Act (Act No. 227 of 1953) or Article 6 (1) of the Act on Financial Businesses by Cooperative (Act No. 183 of 1949); for agricultural cooperative or federations of agricultural cooperative engaging in the business prescribed in Article 10 (1) (iii) of the Agricultural Cooperatives Act, the ratio obtained by the formula pertaining to the standard prescribed in Article 11-2 (1) (i) of said Act, and for fisheries cooperative engaging in the business prescribed in Article 11 (1) (iv) of the Fisheries Cooperatives Act, federations of fisheries cooperatives engaging in the business prescribed in Article 87 (1) (iv) of said Act, fishery processing cooperative engaging in the business prescribed in Article 93 (1) (ii) of said Act, or federations of fishery processing cooperatives engaging in the business prescribed in Article 97 (1) (ii) of said Act, the ratio obtained by the formula pertaining to the standard prescribed in Article 11-6 (1) (i) of said Act (including the cases where it is applied mutatis mutandis pursuant to Article 92 (1), Article 96 (1), or Article 100 (1) of said Act).
- (7) The term "Non-consolidated Capital Adequacy Ratio" as used in paragraph (1) (iv) means the ratio obtained by the formula pertaining to the standard prescribed in Article 56 (i) of the Norinchukin Bank Act (Act No. 93 of 2001).

(8) The term "Non-consolidated Capital Adequacy Ratio" as used in paragraph (1) (v) means the ratio obtained by the formula pertaining to the standard prescribed in Article 23 (1) (i) of the Shoko Chukin Bank Limited Act (Act No. 74 of 2007).

(Requirements to Be Satisfied by Persons Other Than Banks, etc. for Conclusion of Guarantee Contract of Security Deposit of Providing Funds Transfer Services, etc.)

Article 16 (1) The category for one that is determined to have a sound status with regard to capital adequacy to support the payment of Insurance Claims, etc. as specified by a Cabinet Office Ordinance as prescribed in Article 16 (2) of the Order shall be for one whose Ratio Indicating the Sound Status with Regard to Capital Adequacy to Support the Payment of Insurance Claims, etc. included in the latest explanatory documents on the status of business and property is not less than two hundred percent.

(2) The term "Ratio Indicating the Sound Status with Regard to Capital Adequacy to Support the Payment of Insurance Claims, etc." as prescribed in the preceding paragraph means the ratio obtained by the formula pertaining to the standard prescribed in Article 130, Article 202, or Article 228 of the Insurance Business Act (Act No. 105 of 1995).

(3) Persons specified by a Cabinet Office Ordinance as prescribed in Article 16 (2) of the Order shall be Insurance Companies prescribed in Article 2 (2) of the Insurance Business Act, Foreign Insurance Companies, etc. prescribed in paragraph (7) of said Article, or Underwriting Members (meaning Underwriting Members prescribed in Article 219 (1) of said Act) who have obtained the license under said paragraph.

(Cancellation of Guarantee Contract of Security Deposit of Providing Funds Transfer Services)

Article 17 (1) If a Funds Transfer Service Provider who has concluded a guarantee contract of security deposit of providing Funds Transfer Services comes to fall under any of the following items, it may cancel the whole or part of the guarantee contract of security deposit of providing Funds Transfer Services respectively prescribed therein by obtaining the approval of the Commissioner of the Financial Services Agency:

(i) In the case where the Required Amount of Deposit on the Record Date is less than the total of the amount of security deposit for providing Funds Transfer Services and the secured amount prescribed in Article 44 of the Act on the immediately preceding Record Date: A guarantee contract of security deposit of providing Funds Transfer Services pertaining to any amount within the limit of the amount of said security deposit for providing Funds

Transfer Services up to the amount that would cause said total amount to decrease to said Required Amount of Deposit;

- (ii) If the procedure for the execution of the right set forth in Article 59 (1) of the Act has been completed: The whole of the relevant guarantee contract of security deposit of providing Funds Transfer Services;
  - (iii) In cases where, as specified by Article 17 (2) of the Order, the performance of obligations borne in relation to funds transfer transactions (Kawase transactions) has been completed: The whole of the relevant guarantee contract of security deposit of providing Funds Transfer Services; and
  - (iv) In the case where a Funds Transfer Service Provider has concluded a trust contract of security deposit of providing Funds Transfer Services and has obtained the approval of the Commissioner of the Financial Services Agency, if the Funds Transfer Service Provider has placed trust property in the trust under the trust contract on the business day of said Funds Transfer Service Provider immediately following the date of approval in an amount not less than the Required Amount as Security for Providing Funds Transfer Services on the immediately preceding business day: The whole of the relevant guarantee contract of security deposit of providing Funds Transfer Services.
- (2) A Funds Transfer Service Provider intending to obtain the approval under the preceding paragraph shall submit to the Commissioner of the Financial Services Agency a written application for approval of cancellation of guarantee contract of security deposit of providing Funds Transfer Services prepared using appended Form 12 by attaching copies of the books and documents listed in Article 33 (1) (iv) through (vii) (limited to those to prove the facts listed in the preceding paragraph).
- (3) If the Commissioner of the Financial Services Agency has granted the approval set forth in paragraph (1), he/she shall notify the Funds Transfer Service Provider to that effect by issuing a written approval of cancellation of the guarantee contract of security deposit of providing Funds Transfer Services prepared using appended Form 13.
- (4) If a Funds Transfer Service Provider has cancelled the whole or part of the guarantee contract of security deposit of providing Funds Transfer Services by obtaining the approval under paragraph (1), it shall submit to the Commissioner of the Financial Services Agency a written notice of cancellation of the guarantee contract of security deposit of providing Funds Transfer Services prepared using appended Form 14 by attaching a copy of the guarantee contract of security deposit of providing Funds Transfer Services document reflecting said cancellation.

(Application for Approval of a Trust Contract of Security Deposit of Providing Funds Transfer Services)

Article 18 (1) A Funds Transfer Service Provider intending to obtain the approval under Article 45 (1) of the Act shall submit to the Commissioner of the Financial Services Agency a written application for approval of a trust contract of security deposit of providing Funds Transfer Services prepared using appended Form 15 by attaching two copies of said written application for approval of the trust contract of security deposit of providing Funds Transfer Services and a copy of the security deposit for providing Funds Transfer Services trust contract document.

(2) If the Commissioner of the Financial Services Agency has granted the approval set forth in the preceding paragraph, he/she shall notify the Funds Transfer Service Provider to that effect by issuing a written approval of the trust contract of security deposit of providing Funds Transfer Services prepared using appended Form 16.

(3) If a Funds Transfer Service Provider has placed property in the trust under the trust contract of security deposit of providing Funds Transfer Services for the first time after obtaining the approval under paragraph (1), it shall submit to the Commissioner of the Financial Services Agency a written notice of trust contract of security deposit of providing Funds Transfer Services prepared using appended Form 17 by attaching a document proving the amount of the trust property and the Required Amount as Security for Providing Funds Transfer Services on each of the three business days immediately preceding the date of said notice.

(Contents of the Trust contract of Security Deposit of Providing Funds Transfer Services)

Article 19 Matters specified by a Cabinet Office Ordinance as prescribed in Article 45 (2) (vii) of the Act shall be the following matters:

(i) The settlor, the trustee, and the beneficiaries of the principal of the trust property under the trust contract of security deposit of providing Funds Transfer Services shall be a Trust Contract Funds Transfer Service Provider (meaning the Trust Contract Funds Transfer Service Provider prescribed in Article 45 (2) (i) of the Act; hereinafter the same shall apply), a Trust Company, etc. , and the users in Japan of funds transfer transactions (Kawase transactions) carried out by said Trust Contract Funds Transfer Service Provider (in the case where the amount of obligations borne by said Trust Contract Funds Transfer Service Provider to the users in Japan cannot be distinguished from those borne to the overseas users, all users of funds transfer transactions (Kawase transactions) carried out by said Trust Contract Funds Transfer Service Provider), respectively;

(ii) In the case where more than one trust contract of security deposit of providing Funds Transfer Services is concluded, the same person shall be

- appointed as the agent of the beneficiaries for all of the said contracts;
- (iii) In the case where the Trust Contract Funds Transfer Service Provider has come to fall under any of the following conditions, the Trust Contract Funds Transfer Service Provider shall not give any instructions to the Trust Company, etc. regarding investment of trust property:
    - (a) If it has had its registration under Article 37 of the Act rescinded pursuant to the provisions of Article 56 (1) or (2) of the Act;
    - (b) If a Petition for Commencement of Bankruptcy Proceedings, etc. (meaning the Petition for Commencement of Bankruptcy Proceedings, etc. prescribed in Article 2 (10) of the Act) has been filed against the Trust Contract Funds Transfer Service Provider;
    - (c) If it has abolished the Funds Transfer Service (in the case of a Foreign Funds Transfer Service Provider, abolition of the Funds Transfer Service at all business offices in Japan; the same shall apply in (c)) or has given a public notice of the abolition of the Funds Transfer Service pursuant to the provisions of Article 61 (3) of the Act;
    - (d) If it has received an order to suspend the whole or part of the Funds Transfer Service under the provisions of Article 56 (1) of the Act (limited to cases falling under item (iii) of said paragraph); or
    - (e) If the Commissioner of the Financial Services Agency has issued an order to make a deposit;
  - (iv) In the case where the Trust Contract Funds Transfer Service Provider has come to fall under any of the conditions listed in the preceding item, the beneficiaries and the agent of the beneficiaries may not exercise beneficial claims against the Trust Company, etc. ;
  - (v) In the case where the trust property under the trust contract of security deposit of providing Funds Transfer Services (excluding those under which money is placed in the trust with a financial institution engaging in the trust business (meaning a financial institution that has obtained the authorization under Article 1 (1) of the Act on Concurrent Operation of Trust Business by a Financial Institution (Act No. 43 of 1943); hereinafter the same shall apply in this Article) and compensation for the principal is provided; the same shall apply in the following item) is invested, the investment shall be made in the following manner:
    - (a) Holding of government bond certificates and other bond certificates specified by the Commissioner of the Financial Services Agency;
    - (b) Bank deposits and savings with a Deposit-taking Institution; or
    - (c) In any of the following manners:
      1. Call money lending;
      2. Due from bank accounts of a financial institution engaging in the trust business that is the trustee; or

3. Money in trust for which compensation for the principal is provided under the terms and conditions of the contract pursuant to the provisions of Article 6 of the Act on Concurrent Operation of Trust Business by a Financial Institution;
- (vi) In the case where the Trust Contract Funds Transfer Service Provider maintains the trust property in the form of bond certificates or invests the trust property under the trust contract of security deposit of providing Funds Transfer Services in a manner listed in (a) of the preceding item, the Trust Company, etc. or the Trust Contract Funds Transfer Service Provider shall determine the appraised value thereof in accordance with the method prescribed in Article 21;
  - (vii) In the case where the trust contract of security deposit of providing Funds Transfer Services is a money in trust contract with a financial institution engaging in the trust business under which compensation for the principal is provided, the appraised value of the principal of the trust property shall be the principal amount of said money in trust contract;
  - (viii) In the case where more than one trust contract of security deposit of providing Funds Transfer Services is concluded, the Trust Contract Funds Transfer Service Provider shall take necessary measures to enable all Trust Companies, etc. to grasp, on a timely basis, the total amount of trust property that is placed in the trust under said more than one trust contract of security deposit of providing Funds Transfer Services;
  - (ix) In the cases where the Required Amount as Security for Providing Funds Transfer Services notified to the Trust Company, etc. by the Trust Contract Funds Transfer Service Provider has decreased significantly and rapidly, where the Trust Contract Funds Transfer Service Provider fails to report the Required Amount as Security for Providing Funds Transfer Services, and where it is otherwise determined by the Trust Company, etc. that the Trust Contract Funds Transfer Service Provider has failed or is likely to fail to perform its obligations under the trust contract of security deposit of providing Funds Transfer Services, the Trust Company, etc. shall immediately notify the Commissioner of the Financial Services Agency to that effect;
  - (x) Except in the following cases, the whole or part of the trust contract of security deposit of providing Funds Transfer Services may not be cancelled:
    - (a) In the case where the appraised value of the trust property maintained in the trust on a business day exceeds the Required Amount as Security for Providing Funds Transfer Services on the immediately preceding business day, the whole or part of the trust contract of security deposit of providing Funds Transfer Services may be canceled within the limit of said excess amount;



- (b) In the case where the trust property maintained in the trust under one trust contract of security deposit of providing Funds Transfer Services is intended to be placed in the trust under another trust contract of security deposit of providing Funds Transfer Services, the whole or part of the trust contract of security deposit of providing Funds Transfer Services may be canceled to the extent of such purpose;
- (c) In the case where the total of the amount of security deposit for providing Funds Transfer Services and the secured amount on a Record Date exceeds the Required Amount of Deposit on the immediately preceding Record Date;
- (xi) The trust property pertaining to the cancellation of the whole or part of the trust contract of security deposit of providing Funds Transfer Services under the preceding item shall be imputed to the Trust Contract Funds Transfer Service Provider;
- (xii) The Trust Company, etc. shall, in response to the order under the provisions of Article 46 of the Act, realize the trust property and deposit the proceeds to the Local Deposit Office specified by the Commissioner of the Financial Services Agency;
- (xiii) In the case where the Trust Company, etc. has made a deposit in response to the order under the provisions of Article 46 of the Act, it may terminate said trust contract of security deposit of providing Funds Transfer Services;
- (xiv) In the case referred to in the preceding item, any residual property remaining after the termination of the whole of said trust contract of security deposit of providing Funds Transfer Services may be imputed to the Trust Contract Funds Transfer Service Provider; and
- (xv) Remuneration and any other costs to be paid by the Trust Contract Funds Transfer Service Provider to the Trust Company, etc. or the agent of the beneficiaries and the costs required for the realization of the trust property by said Trust Company, etc. shall be paid out of property other than the principal of the trust property.

(Types of Bank Deposits and Savings Qualified to Be Trust Property)

- Article 20 (1) Bank deposits and savings specified by a Cabinet Office Ordinance as prescribed in Article 45 (3) of the Act shall be bank deposits and savings with a Deposit-taking Institution (in the case where the Trust Contract Funds Transfer Service Provider is a Deposit-taking Institution, excluding bank deposits and savings with oneself).
- (2) Bond certificates specified by a Cabinet Office Ordinance as prescribed in Article 45 (3) of the Act shall be the following bond certificates (including those the ownership of the right of which is determined based on the statement or record in the book-entry transfer account registry under the provisions of the

Act on Transfer of Bonds, Shares, etc.; hereinafter the same shall apply):

- (i) National government bond certificates;
- (ii) Local government bond certificates;
- (iii) Government guaranteed bond certificates;
- (iv) Bond certificates prescribed in Article 2-11 of the Order for Enforcement of the Financial Instruments and Exchange Act (Cabinet Order No. 321 of 1965);
- (v) Bond certificates issued by a foreign state (limited to those falling under Article 13 (iii) of the Cabinet Office Ordinance on the Provision or Publication of Securities Information, etc. (Cabinet Office Ordinance No. 78 of 2008)); and
- (vi) Corporate bond certificates or any other bond certificates specified by the Commissioner of the Financial Services Agency.

(Appraised Value of Bond Certificates Qualified to be Trust Property)

Article 21 In the case where the trust property is maintained in the form of bond certificates pursuant to the provisions of Article 45 (3) of the Act or is invested in bond certificates pursuant to the provisions of Article 19 (v) (a), the appraised value of said bond certificates shall be an amount not exceeding the amount obtained by multiplying the market value of said bond certificates as of each business day of the Funds Transfer Service Provider by the ratio specified in the following items for the categories of bond certificates respectively prescribed therein:

- (i) Bond certificates specified in paragraph (2) (i) of the preceding Article: One hundred percent;
- (ii) Bond certificates specified in paragraph (2) (ii) of the preceding Article: Ninety percent;
- (iii) Bond certificates specified in paragraph (2) (iii) of the preceding Article: Ninety-five percent;
- (iv) Bond certificates specified in paragraph (2) (iv) of the preceding Article: Ninety percent;
- (v) Bond certificates specified in paragraph (2) (v) of the preceding Article: Eighty-five percent; and
- (vi) Bond certificates specified in paragraph (2) (vi) of the preceding Article: Eighty percent.

(Making of Security Deposit for Providing Funds Transfer Services to the Local Deposit Office Based on the Order of the Commissioner of the Financial Services Agency)

Article 22 (1) In the case where any security deposit for providing Funds Transfer Services is required based on the order under Article 46 of the Act,

such deposit shall be made to the Local Deposit Office nearest to the head office of the Funds Transfer Service Provider who concluded the relevant guarantee contract of security deposit of providing Funds Transfer Services or trust contract of security deposit of providing Funds Transfer Services.

(2) The person who made the deposit set forth in the preceding paragraph shall, without delay, submit to the Commissioner of the Financial Services Agency a written notice prepared using appended Form 18 by attaching the authenticated copy of the deposit document pertaining to said deposit.

(Public Notice When Performance of Obligations is Impossible)

Article 23 The public notice prescribed in Article 17 (2) (ii) of the Order shall be published in a daily newspaper that publishes items on current events.

(Measures to Ensure Information Security Management Pertaining to the Funds Transfer Service)

Article 24 A Funds Transfer Service Provider shall, in accordance with the contents and methods of its business, take measures to ensure sufficient control of the electronic data processing system pertaining to the Funds Transfer Service.

(Measures to Ensure Information Security Management Pertaining to Personal Information of Individual Users, etc.)

Article 25 A Funds Transfer Service Provider shall, with regard to information security management pertaining to the personal information of users of the Funds Transfer Service who are individuals, supervision of its employees, and in the case where the handling of said information is entrusted to another person, supervision of said other person, take necessary and appropriate measures for preventing leakage, loss, or damage of said information.

(Handling of Specified Non-public Information)

Article 26 In handling personal information regarding race, creed, family origin, domicile of origin, healthcare, or criminal background of the users of Funds Transfer Service who are individuals and other specified non-public information (meaning information learned in the course of business that has not yet been publicly disclosed), a Funds Transfer Service Provider shall take measures to ensure that said information is not used for a purpose other than for ensuring the appropriate operation of the business and for other purposes which are determined to be necessary.

(Measures to Ensure Proper and Secure Provision/Conduct of the Entrusted Business)

Article 27 If a Funds Transfer Service Provider entrusts its business to a third party, it shall take the following measures in accordance with the contents of the entrusted business:

- (i) Measures to ensure that said business is entrusted to a person who has the ability to perform said business in a proper and secure manner;
- (ii) Measures to ensure that necessary and appropriate supervision, etc. is conducted with regard to the person to whom business is entrusted including measures to verify whether said person is performing said business in a proper and secure manner by, among others, checking the status of performance of said business by said person regularly or as necessary and causing said person to make any necessary improvements.
- (iii) Necessary measures to ensure proper and prompt processing of complaints from the users of the Funds Transfer Service conducted by the person to whom business is entrusted;
- (iv) Measures to prevent the protection of the users of the Funds Transfer Service from being hindered, etc. including measures to ensure that in the case where circumstances have arisen under which the person to whom business has been entrusted is unable to perform the entrusted business appropriately, said business will be promptly entrusted to another appropriate third party; and
- (v) Measures to ensure that, if it is necessary for the purpose of ensuring the proper and secure provision/conduct of the business of a Funds Transfer Service Provider and protection of the users pertaining to said business, necessary measures will be taken such as amending or canceling the contract pertaining to the entrustment of said business.

(Prevention of Users from Mistaking Funds Transfer Transactions (Kawase Transactions) Carried Out by a Funds Transfer Service Provider for Those Carried Out by a Deposit-taking Institution)

Article 28 (1) In carrying out a funds transfer transaction (Kawase transaction) with the user of the Funds Transfer Service, a Funds Transfer Service Provider shall provide the user in advance with explanation designed to prevent the user from mistaking such funds transfer transaction (Kawase transaction) for funds transfer transactions (Kawase transactions) carried out by a Deposit-taking Institution by delivering documents or any other appropriate methods.

- (2) When a Funds Transfer Service Provider provides the explanation prescribed in the preceding paragraph, it shall explain the following matters:
- (i) The fact that such funds transfer transaction (Kawase transaction) is not a funds transfer transaction (Kawase transaction) carried out by a Deposit-taking Institution;
  - (ii) The fact that such funds transfer transaction (Kawase transaction) does not

- constitute acceptance of bank deposits or savings or Installment Savings, etc. (meaning the Installment Savings, etc. prescribed in Article 2 (4) of the Banking Act);
- (iii) The fact that such funds transfer transaction (Kawase transaction) is not entitled to the payment of insurance claims under Article 53 of the Deposit Insurance Act (Act No. 34 of 1971) or Article 55 of the Agricultural and Fishery Cooperation Savings Insurance Act (Act No. 53 of 1973);
  - (iv) Whether the Funds Transfer Service Provider has made a security deposit for providing Funds Transfer Services to the Local Deposit Office or concluded a guarantee contract of security deposit of providing Funds Transfer Services or a trust contract of security deposit of providing Funds Transfer Services on behalf of the user, and in the case where a guarantee contract of security deposit of providing Funds Transfer Services or a trust contract of security deposit of providing Funds Transfer Services has been concluded, the name, trade name or other name of the other party thereto; and
  - (v) Other matters found to be useful for the prevention of the user from mistaking such funds transfer transaction (Kawase transaction) for funds transfer transactions (Kawase transactions) carried out by a Deposit-taking Institution.
- (3) In the case where a Funds Transfer Service Provider carries out funds transfer transactions (Kawase transactions) with the users of the Funds Transfer Service at its business office, it shall post the matters listed in items (i) through (iv) of the preceding paragraph at the service counter in a manner easily seen by said users.

(Provision of Information to Users)

Article 29 (1) In carrying out a funds transfer transaction (Kawase transaction) with the user of the Funds Transfer Service, a Funds Transfer Service Provider shall provide the user with information about the contents of the contract pertaining to said funds transfer transaction (Kawase transaction) by the methods prescribed in the following items for the categories of cases respectively prescribed therein:

- (i) In the case where the Funds Transfer Service Provider carries out a funds transfer transactions (Kawase transactions) without concluding a contract under which funds transfer transactions (Kawase transactions) are carried out on an ongoing or recurring basis: Method in which the following matters are clearly indicated to the user who will give the instructions pertaining to the funds transfer transaction (Kawase transaction):
  - (a) Standard performance period;
  - (b) The amount or the maximum amount of the fees, remuneration, or costs

- to be paid by the user or the calculation method thereof;
  - (c) The location and contact address of the business office that will respond to complaints or requests for consultation from the users;
  - (d) In the case where the funds transfer transaction (Kawase transaction) is carried out in an amount indicated in foreign currency, the amount in Japanese currency converted from said amount and the standard or the method used for the conversion; and
  - (e) Other matters found to be relevant to the contents of said funds transfer transaction (Kawase transaction).
- (ii) In the case where the Funds Transfer Service Provider concludes a contract under which funds transfer transactions (Kawase transactions) are carried out on an ongoing or recurring basis: Method in which the following matters are clearly indicated to the user who will be the other party to said contract:
- (a) The maximum amount of the funds transfer transactions (Kawase transactions) to be carried out;
  - (b) Matters listed in (a) through (d) of the preceding item;
  - (c) The contract period;
  - (d) Handling of the cancellation of contract before the expiration of the contract period (including calculation method for fees, remuneration, or costs); and
  - (e) Other matters found to be relevant to the contents of said contract.
- (2) In the case where a Funds Transfer Service Provider carries out funds transfer transactions (Kawase transactions) by issuing an exchange certificate or other instruments representing the rights pertaining to the obligations borne by the Funds Transfer Service Provider in relation to funds transfer transactions (Kawase transactions) that it carries out (hereinafter referred to as "Exchange Certificate, etc."), if the Funds Transfer Service Provider has indicated the following matters on said Exchange Certificate, etc. , the provisions of the preceding paragraph shall not apply:
- (i) The amount or the maximum amount pertaining to the rights that can be exercised by said Exchange Certificate, etc. ;
  - (ii) In the case where a period or expiration date for the exercise of rights by said Exchange Certificate, etc. , said period or expiration date;
  - (iii) Matters listed in item (i) (b) through (d) of the preceding paragraph;
  - (iv) The scope of facilities or places where rights can be exercised by said Exchange Certificate, etc. ;
  - (v) Necessary instructions for the use of said Exchange Certificate, etc. ; and
  - (vi) In the case of an Exchange Certificate, etc. in which the amount is recorded by electromagnetic means (meaning electronic, magnetic, and other means under which the recorded information cannot directly be recognized by human perception), the balance of the amount or the method by which said

balance can be ascertained.

(Delivery of Receipt)

Article 30 (1) When a Funds Transfer Service Provider has received money or other funds from a user of the Funds Transfer Service in relation to the funds transfer transactions (Kawase transactions) that it carries out, it shall deliver a document containing the following matters to said user without delay; provided, however, that this shall not apply if the Funds Transfer Service Provider carries out funds transfer transactions (Kawase transactions) by issuing Exchange Certificates, etc.

(i) The trade name and the registration number of the Funds Transfer Service Provider;

(ii) The amount of the funds received from said user; and

(iii) Date of receipt.

(2) In the case where funds are received by way of transfer of funds to a bank account for bank deposits or savings, the provisions of the preceding paragraph shall apply only if the delivery of said document is requested by said user.

(3) A Funds Transfer Service Provider may, by obtaining the approval of said user pursuant to the provisions of the following paragraph, provide said user with the matters listed in paragraph (1) by electromagnetic means in lieu of the delivery of the document prescribed in said paragraph. In this case, the Funds Transfer Service Provider shall be deemed to have delivered the document prescribed in said paragraph.

(4) A Funds Transfer Service Provider intending to provide the matters listed in paragraph (1) pursuant to the provisions of the preceding paragraph shall indicate to said user the type and contents of the electromagnetic means to be used and obtain the approval of said user in advance in writing or by electromagnetic means.

(5) If a Funds Transfer Service Provider who had received the approval under the preceding paragraph has received a notice from said user in writing or by electromagnetic means to the effect that the user will no longer accept provision of information by electromagnetic means, the Funds Transfer Service Provider shall not provide said user with the matters listed in paragraph (1) by electromagnetic means; provided, however, that this shall not apply if said user gives another approval under the preceding paragraph again at a later time.

(6) The "electromagnetic means" referred to in the preceding three paragraphs shall be the methods that use an electronic data processing system and other methods that use the information communication technology as prescribed in the following items for the categories of cases respectively prescribed therein:

(i) In the case where an approval or notice is given indicating either that the

user will or will not accept provision of information by electromagnetic means: The following methods;

- (a) A method in which the approval or notice to that effect is recorded in a file installed in the electronic equipment used by the person who receives such approval or notice or the person who obtains the consent; and
  - (b) A method in which a file containing a record of the approval or notice to that effect that is prepared by using a medium that allows for secure recording of certain information such as a magnetic disk, CD-R, or other method equivalent thereto is delivered to the user; or
- (ii) In cases other than those prescribed in the preceding item: The following methods:
- (a) The following methods that use an electronic data processing system:
    - 1. A method in which information is transmitted through electric telecommunication lines connecting the electric equipment used by the sender with the electric equipment used by the recipient and recorded in a file installed in the electric equipment used by said recipient;
    - 2. A method in which information recorded in a file installed in the electric equipment used by the sender is made available for inspection by the recipient through electric telecommunication lines and recorded in a file installed in the electric equipment used by said recipient; and
  - (b) A method in which a file containing a record of information that is prepared by using a medium that allows for secure recording of certain information such as magnetic disk, CD-R, or other method equivalent thereto is delivered to the user.
- (7) The methods prescribed in the items of the preceding paragraph shall satisfy the following criteria:
- (i) In the case of the method prescribed in item (i) of the preceding paragraph, the person who receive an approval or notice shall notify, in writing or by other appropriate methods, the person who gives an approval or notice of the contents of the approval or notice indicating either that he/she will or will not accept provision of information by electromagnetic means;
  - (ii) The method prescribed in item (ii) of the preceding paragraph shall be the one that enables the recipient to create a document by outputting the information recorded in the file (including outputting said recorded information by transmitting it to other electronic equipment or any other method); and
  - (iii) In the case of the method prescribed in item (ii) (a) of the preceding paragraph, if a mobile phone or PHS phone is used as the electronic equipment of the recipient, the sender shall, at the request of the recipient, deliver a document pertaining to the matters provided by the sender by electromagnetic means for three months from the day on which the



information was transmitted to or made available for inspection by the recipient.

- (8) The term "electronic data processing system" as used in paragraph (6) (ii) (a) means an electronic data processing system that connects the electronic device used by the sender with the electronic device used by the recipient through electric telecommunication lines.

(Other Measures to Ensure Protection of Users)

Article 31 A Funds Transfer Service Provider shall take the following measures to ensure the protection of the users of the Funds Transfer Service with regard to funds transfer transactions (Kawase transactions) that it carries out:

- (i) If a Funds Transfer Service Provider finds a possibility that a criminal act has been committed with regard to the funds transfer transactions (Kawase transactions) that it carries out after considering any provision of information by the investigative authority, etc. to the effect that said funds transfer transactions (Kawase transactions) were used for the purpose of committing a fraud or other criminal acts and other circumstances, measures to suspend said funds transfer transactions (Kawase transactions), etc. ;
- (ii) In the case where a Funds Transfer Service Provider carries out funds transfer transactions (Kawase transactions) with the users of the Funds Transfer Service by using a computer connected with electric telecommunication lines, appropriate measures to prevent said users from mistaking said Funds Transfer Service Provider for another person; and
- (iii) In the case where a Funds Transfer Service Provider receives instructions regarding funds transfer transactions (Kawase transactions) from the users of the Funds Transfer Service by using a computer connected with electric telecommunication lines, appropriate measures to enable said users to easily confirm or correct the contents of said instructions when using the computer pertaining to said instructions.

(Internal Rules, etc.)

Article 32 A Funds Transfer Service Provider shall, in accordance with the contents and methods of its business, prescribe internal rules, etc. concerning the measures to ensure the protection of the users of the Funds Transfer Service and the proper and secure provision/conduct of Funds Transfer Services (including the measures to prevent crimes) and establish a system for providing training to employees, a system for providing guidance to the person to whom business is entrusted, and other systems sufficient to ensure that the business is operated based on said internal rules, etc.

### **Chapter III Supervision**

(Preparation and Preservation of Books and Documents Pertaining to the Funds Transfer Service)

Article 33 (1) The books and documents pertaining to the Funds Transfer Service as prescribed in Article 52 of the Act shall be the following books and documents:

- (i) Transaction records pertaining to the Funds Transfer Service;
  - (ii) General ledger;
  - (iii) Customer ledger (limited to cases where a Funds Transfer Service Provider concludes a contract with the users of the Funds Transfer Service under which funds transfer transactions (Kawase transactions) are carried out on an ongoing or recurring basis);
  - (iv) Records of the amount of outstanding obligations in the process of funds transfer and the Required Amount as Security for Providing Funds Transfer Services on each business day;
  - (v) Records of the Required Amount of Deposit on each Record Date (excluding Trust Contract Funds Transfer Service Providers);
  - (vi) Records of the amount of security deposit for providing funds transfer services on each Record Date (limited to cases where such deposit is made);
  - (vii) Records of the amount of trust property on each business day (limited to Trust Contract Funds Transfer Service Providers); and
  - (viii) For each user of the Funds Transfer Service, records of the amount of obligations borne in relation to funds transfer transactions (Kawase transactions) and the amount of claims held in relation to said funds transfer transactions (Kawase transactions) on each business day (limited to cases where the amount of outstanding obligations in the process of funds transfer is calculated pursuant to the provisions of Article 11 (3)).
- (2) A Funds Transfer Service Provider shall preserve the books and documents listed in items (i) through (iii) and item (viii) of the preceding paragraph for at least ten years from the day of the closing of the books and books and documents listed in items (iv) through (vii) of the preceding paragraph for at least five years from the day of the closing of the books.

(Reports on the Funds Transfer Service)

Article 34 (1) The written report on the Funds Transfer Service prescribed in Article 53 (1) of the Act shall be prepared using appended Form 19 (in the case of a Foreign Funds Transfer Service Provider, appended Form 20) by separating it into a business summary and a document containing the status of income and expenditure pertaining to the Funds Transfer Service and submitted to the Commissioner of the Financial Services Agency within three months from the last day of the relevant business year.

(2) A Funds Transfer Service Provider intending to submit the written report set forth in the preceding paragraph shall submit it to the Commissioner of the Financial Services Agency by attaching two copies of said written report and the latest balance sheet (including the related notes) and profit and loss statement (including the related notes).

(Reports on the Amount of Outstanding Obligations in the Process of Funds Transfer, etc.)

Article 35 (1) The written report prescribed in Article 53 (2) of the Act shall be prepared using appended Form 21 and submitted for each day specified in the following items for the categories of cases respectively prescribed therein (hereinafter referred to as "Record Date" in this Article) to the Commissioner of the Financial Services Agency within one month from said Record Date:

(i) A Funds Transfer Service Provider who has concluded a guarantee contract of security deposit of providing Funds Transfer Services in lieu of making of the whole of the security deposit for providing Funds Transfer Services to the Local Deposit Office prescribed in Article 43 (1) of the Act and has notified the Commissioner of the Financial Services Agency to that effect: March 31 and September 30 each year;

(ii) A Funds Transfer Service Provider who makes a security deposit for providing Funds Transfer Services to the Local Deposit Office prescribed in Article 43 (1) of the Act: March 31, June 30, September 30, and December 31 each year; and

(iii) A Trust Contract Funds Transfer Service Provider: Last day of each month.

(2) A Funds Transfer Service Provider intending to submit the written report set forth in the preceding paragraph shall submit it to the Commissioner of the Financial Services Agency by attaching two copies of said written report.

(3) A Funds Transfer Service Provider who has made the deposit under Article 43 (1) of the Act shall submit to the Commissioner of the Financial Services Agency the written report set forth in paragraph (1) by attaching a copy of the authenticated copy of the deposit document pertaining to said deposit.

(4) In the case where a Funds Transfer Service Provider who made a notification pursuant to the provisions of Article 44 of the Act has subsequently changed the terms and conditions of the guarantee contract of security deposit of providing Funds Transfer Services (excluding the cancellation of part of the said guarantee contract of security deposit of providing Funds Transfer Services) or has renewed the guarantee contract of security deposit of providing Funds Transfer Services, the Funds Transfer Service Provider shall submit to the Commissioner of the Financial Services Agency the written report set forth in paragraph (1) by attaching a copy of the contract document or a document verifying said fact.

- (5) A Trust Contract Funds Transfer Service Provider shall submit to the Commissioner of the Financial Services Agency the written report set forth in paragraph (1) by attaching a document issued by a Trust Company, etc. verifying the amount of trust property as of the relevant Record Date.
- (6) The Commissioner of the Financial Services Agency may, if he/she finds it necessary, order a Funds Transfer Service Provider to submit the authenticated copy of the deposit document set forth in paragraph (3) or the original of the contract document set forth in paragraph (4).

(Method of Public Notice)

Article 36 The public notice prescribed in Article 56 (2) and Article 58 of the Act shall be given in the official gazette.

#### **Chapter IV Miscellaneous Provisions**

(Entrustment to Agents for Local Finance Office in the Distribution

Proceedings of Security Deposit to Holders of Prepaid Payment Instruments)

Article 37 The Commissioner of the Financial Services Agency may entrust to the Agents for Local Finance Office in the Distribution Proceedings of Security Deposit to Holders of Prepaid Payment Instruments prescribed in Article 59 (3) of the Act the whole or part of the affairs pertaining to the public notice prescribed in paragraph (2) of said Article, the affairs pertaining to the notification prescribed in Article 19 (2) of the Order, the affairs pertaining to the investigation of the rights prescribed in paragraph (4) of said Article (including the public notice or provision of an opportunity prescribed in said paragraph), the affairs pertaining to preparation, public notice, and notification of the distribution table prescribed in paragraph (5) said Article, the affairs pertaining to the provisional distribution prescribed in paragraphs (10) and (11) of said Article, and other affairs pertaining to the procedure for the execution of the rights.

(Notification of Abolition of Business, etc.)

- Article 38 (1) A person intending to make a notification pursuant to the provisions of Article 61 (1) of the Act shall submit to the Commissioner of the Financial Services Agency a written notice prepared using appended Form 22 by attaching two copies of said written notice.
- (2) The written notice set forth in the preceding paragraph shall contain the following matters:
- (i) Trade name;
  - (ii) Date of registration and registration number;
  - (iii) Reason for notification;

- (iv) The date on which the Funds Transfer Service Provider came to fall under any of the items of Article 61 (1) of the Act;
  - (v) In the case where the Funds Transfer Service Provider has abolished the Funds Transfer Service, the reason therefor;
  - (vi) In the case where the Funds Transfer Service Provider has abolished the Funds Transfer Service by way of assignment of business, merger or company split, or for other reasons, the method for succession of said business and the successor.
- (3) The public notice prescribed in Article 61 (3) of the Act shall be published in the official gazette or in a daily newspaper that publishes matters on current events.
- (4) The public notice and the posting at business offices prescribed in Article 61 (3) of the Act shall include the method for completing the performance of obligations pursuant to the provisions of paragraph (5) of said Article (excluding cases where a public notice is given due to succession of business by way of assignment of business, merger or company split, or for other reasons).
- (5) A Funds Transfer Service Provider who has given a public notice pursuant to the provisions of Article 61 (3) of the Act shall immediately submit to the Commissioner of the Financial Services Agency a written notice prepared using appended Form 23 by attaching a copy of said public notice.
- (6) If a Funds Transfer Service Provider has abolished the Funds Transfer Service by way of assignment of business, merger or company split, or for other reasons, a document containing the contents of the contract pertaining to the succession of said business and the method for succession of said business shall be attached to the written notice set forth in the preceding paragraph.

(Notification of Violation of Laws and Regulations)

Article 39 If a Funds Transfer Service Provider comes to know that its Director, etc. or employee has committed violation of laws and regulations with regard to the Funds Transfer Service or an act that hinders the proper and secure provision/conduct of Funds Transfer Services, it shall submit to the Director-General of a Local Finance Bureau, etc. a written notice prepared using appended Form 24 containing the following matters within two weeks from the day on which it came to know said fact:

- (i) The name of the business office at which such act occurred;
- (ii) The name and the title of the Director, etc. or employee who committed said act; and
- (iii) Summary of said act.

(Government Agency Through Which to Submit Written Notice, etc.)

Article 40 In the case where a Funds Transfer Service Provider intends to

submit to the Director-General of a Local Finance Bureau, etc. the written application for registration prescribed in Article 4 and other documents prescribed in the Act and this Cabinet Office Ordinance (hereinafter referred to as "Written Application, etc." in this Article and the following Article), if there is an office of a Local Finance Bureau, Otaru Sub-office of Hokkaido Local Finance Bureau, or Kitami Sub-office of Hokkaido Local Finance Bureau having jurisdiction over the location of the head office of said Funds Transfer Service Provider, said Funds Transfer Service Provider shall submit said Written Application, etc. through the head of said office or sub-offices.

(Submission of Written Application, etc. through Certified Association for Payment Service Providers)

Article 41 A Funds Transfer Service Provider intending to submit a Written Application, etc. to the Director-General of a Local Finance Bureau, etc. (including submission through the head of an office or sub-office of a Local Finance Bureau prescribed in the preceding Article) may submit it through a Certified Association for Payment Service Providers.

(Standard Processing Period)

Article 42 (1) The Commissioner of the Financial Services Agency shall endeavor to process any application for registration made pursuant to the provisions of the Act, the Order, or this Cabinet Office Ordinance within two months from the day on which said application has arrived at his/her office.

(2) The Commissioner of the Financial Services Agency shall endeavor to process an application for approval of cancellation of the guarantee contract of security deposit of providing Funds Transfer Services prescribed in Article 17 (1) within twenty days.

(3) The period prescribed in the preceding two paragraphs shall not include the following period:

- (i) The period required to amend said application;
- (ii) The period required for the applicant to change the contents of said application; and
- (iii) The period required for the applicant to add materials that are found to be necessary for the examination pertaining to said application.