

Cabinet Office Ordinance on Securities Finance Companies

(Ordinance of the Cabinet Office and the Ministry of Justice No. 3 of August 6, 2007)

Pursuant to the provisions of Article 31-2, paragraph (11) of the Financial Instruments and Exchange Act (Act No.25 of 1948), the Ordinance on Financial Services Providers' Deposit for Operation is established as follows.

(Procedure for Application)

Article 1 A person who intends to apply for execution of right prescribed in Article 15-14, paragraph (1) of the Order for Enforcement of the Financial Instruments and Exchange Act (Cabinet Order No.321 of 1965; hereinafter referred to as the "Order") shall submit a written application prepared using appended form 1 by attaching a document proving that the person has the right set forth in Article 31-2, paragraph (6) of the Financial Instruments and Exchange Act (hereinafter referred to as the "Act") (such right shall be hereinafter referred to as the "Right") to the Director-General of the Local Finance Bureau or the Director-General of the Fukuoka Local Finance Branch Bureau with whom the Financial Services Provider (meaning Financial Services Provider prescribed in Article 2, paragraph (9) of the Act, limited to individuals who intend to engage in Type II Financial Instruments Business prescribed in Article 28, paragraph (2) of the Act and persons who intend to only engage in Investment Advisory and Agency Business prescribed in paragraph (3) of that Article; the same shall apply hereinafter) is currently registered (hereinafter referred to as the "Director-General of the Local Finance Bureau of Competent Jurisdiction").

(Procedure for Reporting)

Article 2 A person who intends to report the person's Right under the provisions of Article 15-14, paragraph (2) of the Order shall submit to the Director-General of the Local Finance Bureau of Competent Jurisdiction a written report prepared using appended form 2 by attaching a document proving that the person has the Right.

(Provisional Distribution Table)

Article 3 In order to carry out the investigation of Right under the provisions of Article 15-14, paragraph (4) of the Order, the Director-General of the Local Finance Bureau of Competent Jurisdiction shall prepare a provisional

distribution table, give public notice thereof, and give notice thereof to the depositor without delay after the expiration of the period set forth in Article 15-14, paragraph (2) of the Order (in cases where the depositor has deposited the entire deposit for operation referred to in Article 31-2, paragraph (1) of the Act for a Financial Services Provider under the contract referred to in paragraph (3) of that Article pursuant to the order under paragraph (4) of that Article, including said Financial Services Provider; the same applies in the following Article and Article 7).

(Hearing Session)

Article 4 (1) The procedure for the investigation of Right under the provisions of Article 15-14, paragraph (4) of the Order is conducted through a hearing session which an official designated by the Director-General of the Local Finance Bureau of Competent Jurisdiction presides over as the chairperson.

(2) When the person who has filed an application under the provisions of Article 15-14, paragraph (1) of the Order (referred to as "Applicant" in Article 17, paragraph (2)), the person who has reported the person's Right within the period set forth in Article 15-14, paragraph (2) of the Order or the representative person of the depositor (hereinafter collectively referred to as the "person concerned") is unable to attend the hearing session due to illness or any other compelling reason, said person concerned may submit an affidavit, which the person has signed and sealed, in lieu of making a statement at the hearing session.

Article 5 The chairperson may request a person with relevant knowledge and experience or any other witness to attend the hearing session when the chairperson finds it to be necessary.

Article 6 (1) The chairperson may give necessary instructions with regard to statement of opinions or production of evidence, etc. when the chairperson finds it necessary for organizing the business of the session.

(2) The chairperson may have the person who is disturbing order or is acting or behaving in a disturbing manner leave the session when the chairperson finds it necessary for maintaining order in the hearing session.

Article 7 The chairperson may postpone or continue the hearing session. In this case, the chairperson shall decide on the date and place of the next session, give public notice thereof, and give notice thereof to the depositor when the chairperson finds it necessary.

Article 8 The chairperson shall prepare a record stating the following matters

with regard to the hearing session, and shall sign and seal said record:

- (i) Indication of the case concerning the hearing session;
- (ii) Date and place of the hearing session;
- (iii) Job title and name of the chairperson;
- (iv) Names and domiciles of the persons concerned who were present;
- (v) Names of any other persons present;
- (vi) Gist of the opinions stated;
- (vii) If any affidavit has been submitted, a statement to that effect and the gist thereof;
- (viii) If any evidence has been produced, a statement to that effect and a list of the evidence; and
- (ix) Other matters found to be necessary by the chairperson.

Article 9 A person concerned may inspect the record set forth in the preceding Article.

(Distribution)

Article 10 In the case where the deposit for operation pertaining to a Financial Services Provider includes a deposit for operation deposited by a person who has concluded a contract referred to in Article 31-2, paragraph (3) of the Act with said Financial Services Provider, the Director-General of the Local Finance Bureau of Competent Jurisdiction shall first distribute the deposit for operation deposited by the Financial Services Provider.

(Procedure of Distribution)

Article 11 (1) The Director-General of the Local Finance Bureau of Competent Jurisdiction shall, for the purpose of implementing distribution, send a payment entrustment document prepared using form 27, form 28 or form 28-2 of the Deposit Ordinance (Ordinance of the Ministry of Justice No.2 of 1959) to the deposit office and deliver certificates prepared using form 29 of the Deposit Ordinance to persons who are to receive the distribution.

(2) With regard to the application of Article 31-2, paragraph (8) of the Act, the Right referred to in Article 31-2, paragraph (6) of the Act shall be deemed to have been executed when the period prescribed in Article 15-14, paragraph (6) of the Order has elapsed.

(3) When the Director-General of the Local Finance Bureau of Competent Jurisdiction has conducted the procedure set forth in paragraph (1), the Director-General shall send a written notice prepared using appended form 3 by attaching a copy of the payment entrustment document to the Financial Services Provider.

(Conversion of Securities into Money)

- Article 12 (1) When the Director-General of the Local Finance Bureau of Competent Jurisdiction intends to receive return of securities (including a national government bond where the ownership of the right for said bond is 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) (hereinafter referred to as a "book-entry transfer national government bond"); the same applies hereinafter) in order to convert them into money pursuant to the provisions of Article 15-14, paragraph (7) of the Order, the Director-General shall submit to the deposit office two copies of written request for paying out of deposited property.
- (2) When the Director-General of the Local Finance Bureau of Competent Jurisdiction has converted securities into money, the Director-General shall deposit an amount deducting the expense for the conversion from the conversion value as deposit for operation in lieu of said securities.
- (3) The deposit money deposited pursuant to the provisions of the preceding paragraph shall be deemed to have been deposited by the person who deposited the securities that were returned pursuant to the provisions of paragraph (1).
- (4) When the Director-General of the Local Finance Bureau of Competent Jurisdiction has made deposit pursuant to the provisions of paragraph (2), the Director-General shall notify in writing to that effect to the person prescribed in the preceding paragraph.

(Reclaiming of Deposit for Operation)

Article 13 A Financial Services Provider or a person who has deposited a deposit for operation for said Financial Services Provider may, in addition to cases referred in the items of Article 15-15, paragraph (1) of the Order, Financial Services Providerreclaim the entire deposit for operation that had been deposited with the approval of the Director-General of the Local Finance Bureau of Competent Jurisdiction when said Financial Services Provider has come to fall under the case of the deposit office prescribed in Article 31-2, paragraph (1) of the Act being changed due to changes in the location of its principal business office or office and the entire deposit for operation being deposited with the deposit office after said change (for a foreign juridical person or an individual domiciled in a foreign state, the case of the deposit office prescribed in Article 31-2, paragraph (1) of the Act applied by replacing certain terms pursuant to the provisions of Article 17-16 of the Order being changed due to changes in the location of its principal business office or office in Japan or establishment or abolition of a business office or office in Japan and the entire deposit for operation being deposited with the deposit office after said change),

- Article 14 (1) When a Financial Services Provider or its successor or a person who has deposited a deposit for operation for said Financial Services Provider intends to obtain the approval of the Director-General of the Local Finance Bureau of Competent Jurisdiction pursuant to the provisions of Article 15-15 of the Order and the preceding Article, said Financial Services Provider or its successor or said person shall submit to the Director-General of the Local Finance Bureau of Competent Jurisdiction a written application for approval using appended form 4, stating the ground for the reclaiming and the amount of deposit money to be reclaimed or the name, quantity, total face value, etc. of the deposited securities to be reclaimed (the brand, amount, etc. shall be stated in the case of a book-entry transfer national government bond).
- (2) In cases where the written application for approval referred to in the preceding paragraph has been submitted (excluding cases in which the written application for approval referred to in the preceding paragraph has been submitted when the case prescribed in the preceding Article applies; hereinafter the same shall apply in this paragraph), the Director-General of the Local Finance Bureau of Competent Jurisdiction shall give public notice of the fact that the person who has any right prescribed in Article 15-15 of the Order or in Article 14 is to report the person's right within a certain period of not less than the respective periods prescribed in the following items according to the cases set forth therein, and is to be excluded from the distribution procedure if the person fails to make the report within said period:
- (i) in cases where an application for approval pursuant to the provisions of Article 15-15, paragraph (1) of the Order has been filed: six months
 - (ii) in cases where an application for approval pursuant to the provisions of Article 15-15, paragraph (2) of the Order has been filed: one month
- (3) A person who intends to report the person's right as set forth in the preceding paragraph shall submit to the Director-General of the Local Finance Bureau of Competent Jurisdiction a written report prepared using appended form 5 by attaching a document proving that the person has the right.
- (4) The Director-General of the Local Finance Bureau of Competent Jurisdiction shall, when the report has been made within the period referred to in paragraph (2), conduct the procedure to pay out the deposit for operation to the relevant person in compliance with the provisions of Article 15-14, paragraphs (4) to (6) inclusive of the Order and Articles 3 to 12 inclusive.
- (5) When the Director-General of the Local Finance Bureau of Competent Jurisdiction has conducted the procedure set forth in the preceding three paragraphs, or is found to fall under the case set forth in the preceding Article, the Director-General shall deliver a letter of approval prepared using appended form 6 to the person who requested approval under paragraph (1).

Article 15 It shall be sufficient for a person who intends to reclaim a deposit for operation to attach the letter of approval that has been delivered under paragraph (5) of the preceding Article as the document to be attached to a written request for paying out of deposited property pursuant to the provisions of Article 25, paragraph (1) of the Deposit Ordinance.

(Change in the Place of Retention of Deposit for Operation)

Article 16 (1) When, due to a change in the location of the head office or other principal business office or offices of the Financial Services Provider pertaining to said deposit for operation, the deposit office nearest thereto has changed, and the depositor intends to request the deposit office to which the depositor has deposited said deposit for operation to change the place of retention thereof, a depositor who has deposited deposit for operation in the form of money alone shall notify to that effect to the Director-General of the Local Finance Bureau of Competent Jurisdiction without delay.

(2) When the notification set forth in the preceding paragraph has been given, the Director-General of the Local Finance Bureau of Competent Jurisdiction shall deliver an authenticated copy of the deposit document for said deposit for operation to the person who gave said notification excluding the case where the application for execution of Right set forth in Article 15-14 of the Order or the application for approval set forth in Article 15-15, paragraph (2) of the Order has been filed,.

(3) A person who has given the notification set forth in paragraph (1) shall request the deposit office to which the depositor has deposited said deposit for operation to change the place of retention thereof to the deposit office nearest to the head office or other principal business office or office of the Financial Services Provider after the change of the location, by prepaying the costs, without delay after receiving delivery of the authenticated copy of the deposit document pursuant to the provisions of the preceding paragraph,

(4) A person who has requested the change in the place of retention set forth in the preceding paragraph shall, without delay after completing the procedure of the change in the place of retention, submit to the Director-General of the Local Finance Bureau of Competent Jurisdiction a written notice prepared using appended form 7 by attaching an authenticated copy of the deposit document that has been delivered pursuant to the provisions of Article 21-5, paragraph (3) of the Deposit Ordinance.

(5) When the Director-General of the Local Finance Bureau of Competent Jurisdiction has received an authenticated copy of the deposit document attached to the written notice set forth in the preceding paragraph, the Director-General shall deliver a retention certificate to the person who has

requested said change in the place of retention.

(Public Notice)

Article 17 (1) The public notice prescribed in Article 15-14, paragraphs (2), (4) and (5) of the Order, Articles 3 and 7, and Article 14, paragraph (2) is given through publication in an official gazette.

(2) The expense for the public notice prescribed in the preceding paragraph is borne by the Applicant (in the case of reclaiming the deposit for operation, the person who intends to reclaim the same) and the person who reported the Right prescribed in Article 15-14, paragraph (2) of the Order or the right prescribed in Article 14, paragraph (2).

(Application of the Deposit Ordinance)

Article 18 In addition to what is provided for in this Ordinance, the procedures under the Deposit Ordinance applies to deposit and paying out of deposit for operation.