

# Order Concerning Deposit Insurance Corporation Bonds

(Cabinet Order No. 28 of February 18, 1998)

The Cabinet hereby enacts this Cabinet Order based on Article 42, paragraph (8) of the Deposit Insurance Act (Act No. 34 of 1971).

## (Deposit Insurance Corporation Bond Certificates)

Article 1 (1) Unless the Act on Book-Entry Transfer of Bonds, Shares, etc. (Act No. 75 of 2001; referred to as "Act on Book-Entry Transfer of Bonds, etc." in Article 4, paragraph (1), item (vi) and Article 4, paragraph (2), item (iii)) is applicable, bond certificates must be issued when Deposit Insurance Corporation bonds (hereinafter referred to as "Corporation Bonds") are issued.  
(2) The Corporation Bond certificates referred to in the preceding paragraph are to be issued in bearer form and with coupons.

## (Manner of Issuance of Corporation Bonds)

Article 2 Corporation Bonds are issued by way of solicitation.

## (Decision on the Particulars of Corporation Bonds for Subscription)

Article 3 The Deposit Insurance Corporation (hereinafter referred to as the "Corporation") must, when it intends to solicit persons to subscribe for the Corporation Bonds to be issued by the Corporation, on each occasion, establish the following particulars with regard to the Corporation Bonds for subscription (meaning the Corporation Bonds allotted to persons that apply to subscribe for those Corporation Bonds in response to said solicitation; the same applies hereinafter):

- (i) The total value of the Corporation Bonds for subscription;
- (ii) The value of each Corporation Bond for subscription;
- (iii) The interest rate of the Corporation Bonds for subscription;
- (iv) The method and due date of redemption of the Corporation Bonds for subscription;
- (v) The method and due date of payment of interest;
- (vi) That Corporation Bond certificates are to be issued, if such is the case;
- (vii) The amount to be paid in for each Corporation Bond for subscription (meaning the amount of money to be paid in exchange for each Corporation Bond for subscription; the same applies in Article 9, paragraph (2), item (iii));
- (viii) The due date for the payment of money in exchange for the Corporation

Bonds for subscription;

- (ix) That the Corporation Bonds for subscription will not be issued in their entirety if the persons to which those bonds will be allotted have not been fixed by a certain date for the total value of the Corporation Bonds for subscription, if such is the case, and that certain date; and
- (x) In addition to what is set forth in the preceding items, any other particulars specified by Cabinet Office Ordinance or Ordinance of the Ministry of Finance.

(Application for Corporation Bonds for Subscription)

Article 4 (1) The Corporation must notify the following particulars to the persons who intend to apply to subscribe for the Corporation Bonds for subscription in response to the solicitation referred to in the preceding Article, of the following particulars:

- (i) Name of the Corporation Bonds for subscription;
  - (ii) The information about the subscription which is set forth in each item of the preceding Article;
  - (iii) That the Corporation Bond certificates will be in bearer form, if Corporation Bond certificates will be issued;
  - (iv) Measures to be taken if the value of the applications to subscribe for the Corporation Bonds for subscription exceeds the total value of the Corporation Bonds for subscription;
  - (v) Trade name or name of any person entrusted with solicitation or management;
  - (vi) That the Act on Book-Entry Transfer of Bonds, etc. is applicable, if such is the case, and the trade name of the book-entry institution (meaning the book-entry institution prescribed in Article 2, paragraph (2) of the Act on Book-Entry Transfer of Bonds, etc.);
  - (vii) In addition to what is set forth in the preceding items, any other particulars specified by Cabinet Office Ordinance or Ordinance of the Ministry of Finance.
- (2) A person applying to subscribe for Corporation Bonds for subscription in response to the solicitation referred to in the preceding Article must deliver a document stating the following to the Corporation:
- (i) Name and address of the person making the application;
  - (ii) The values of the Corporation Bonds for subscription for which that person seeks to subscribe and the number of bonds at each value;
  - (iii) The account for the book-entry transfer of Corporation Bonds that has been established for a person responding to any solicitation of Corporation Bonds to which the Act on Book-Entry Transfer of Bonds, etc. applies (referred to as "Book-Transfer Corporation Bonds" in Article 6, paragraph

(2)).

- (3) A person making an application as referred to in the preceding paragraph may, in lieu of delivering the document referred to in that paragraph, and pursuant to the provisions of Cabinet Office Ordinance or Ordinance of the Ministry of Finance, provide the Corporation with the information that is required to be stated in the document referred to in that paragraph by electronic or magnetic means (meaning a method using an electronic data processing system or any other method using information and communications technology to be specified by Cabinet Office Ordinance or Ordinance of the Ministry of Finance) with the approval of the Corporation. In such a case, the person making the application is deemed to have delivered the document referred to in the preceding paragraph.
- (4) The Corporation must immediately notify a person making an application as referred to in paragraph (2) (hereinafter referred to as the "Applicant") of any change in the particulars listed in the items of paragraph (1) and of the particular as changed.
- (5) It is sufficient for the Corporation to send a notice or demand that it issues to the Applicant to the address prescribed in paragraph (2), item (i) (or, if the Applicant notifies the Corporation of a different place or contact address for the receipt of notices or demands, such place or contact address).
- (6) The notice or demand referred to in the preceding paragraph is deemed to arrive at the time when such notice or demand would normally arrive.

#### (Allotment of Corporation Bonds for Subscription)

- Article 5 (1) The Corporation must select from among the Applicants the persons to which the Corporation Bonds for subscription will be allotted and determine the values of the Corporation Bonds for subscription to be allotted to such persons and the number of bonds allotted thereto at each value. In doing so, the Corporation may reduce the number of Corporation Bonds for subscription that are to be allotted to the Applicants at each value from the number prescribed in paragraph (2), item (ii) of the preceding Article.
- (2) The Corporation must notify an Applicant, no later than the day immediately preceding the due date referred to in Article 3, item (viii) of the values of the Corporation Bonds for subscription to be allotted to the Applicant and the number of bonds allotted thereto at each value.

#### (Subscription for Corporation Bonds for Subscription)

- Article 6 (1) If a local public entity subscribes for Corporation Bonds for subscription or if a person entrusted with soliciting subscriptions for Corporation Bonds for subscription will personally subscribe for the Corporation Bonds, the provisions of the preceding two Articles do not apply to

the portion of the Corporation Bonds to which that person subscribes.

- (2) In the case referred to in the preceding paragraph, the local public entity subscribing for Book-Entry Corporation Bonds or a company entrusted with soliciting subscriptions for the Book-Entry Corporation Bonds must indicate the particulars set forth in Article 4, paragraph (2), item (iii) to the Corporation at the time of its subscription.

(Holder of Rights in Corporation Bonds for Subscription)

Article 7 The persons specified in each of the following items are holders of rights in the Corporation Bonds for subscription prescribed therein:

- (i) The Applicant: the Corporation Bonds for subscription allotted thereto by the Corporation;
- (ii) A local public entity subscribing for Corporation Bonds for subscription: the Corporation Bonds for subscription for which the local public entity has subscribed;
- (iii) A person entrusted with soliciting subscriptions for Corporation Bonds for subscription, which has subscribed personally for those Corporation Bonds: the Corporation Bonds for subscription for which the person has subscribed.

(Issuance of Corporation Bond Certificates)

Article 8 (1) Without delay after the day of issuance of Corporation Bonds for which it is prescribed that bond certificates are to be issued, the Corporation must issue such bond certificates.

- (2) Each Corporation Bond certificate must state the particulars set forth in Article 3, items (ii) to (v); the particulars set forth in Article 4, paragraph (1), items (i), (iii) and (v); and a serial number, and the name and seal of the president of the Corporation must be affixed thereto.

(Corporation Bond Register)

Article 9 (1) The Corporation must keep a Corporation Bond register at its principal office.

- (2) The following information must be stated or recorded in the Corporation Bond register:

- (i) The particulars set forth in Article 3, items (iii) to (vi) and any other particulars specified by Cabinet Office Ordinance or Ordinance of the Ministry of Finance as specifying the details of the Corporation Bonds (referred to as the "Type" in the following item);
- (ii) The total value of each Type of Corporation Bond and the value of each Corporation Bond;
- (iii) The amount to be paid in for each Corporation Bond and the date of payment;

- (iv) If Corporation Bond certificates have been issued, the serial numbers, dates of issuance, and number of Corporation Bond certificates;
- (v) The particulars set forth in Article 4, paragraph (1), items (i), (v) and (vi);
- (vi) The particulars of payment of the principal and interest;
- (vii) In addition to what is set forth in the preceding items, any other particulars specified by Cabinet Office Ordinance or Ordinance of the Ministry of Finance.

(Transfer of Corporation Bonds When Corporation Bond Certificates Are Issued)

Article 10 The transfer of a Corporation Bond for which it is prescribed that a bond certificate is to be issued does not become effective unless the certificate representing that Corporation Bond is delivered.

(Presumption of Rights)

- Article 11 (1) The person with possession of a Corporation Bond certificate is presumed to be the lawful owner of the rights in that bond.
- (2) A person to which a Corporation Bond certificate is issued acquires the rights in the Corporation Bond that the certificate represents; provided, however, that this does not apply if the person has acted in bad faith or with gross negligence.

(Pledge of Corporation Bonds When Corporation Bond Certificates Are Issued)

Article 12 The pledge of a Corporation Bond for which it is prescribed that a bond certificate is to be issued does not become effective unless the certificate representing the Corporation Bond is delivered.

(Requirement in Order to Duly Assert a Pledge of Corporation Bonds)

Article 13 The pledgee of a Corporation Bond for which it is prescribed that a bond certificate is to be issued may not assert that pledge against any third party unless that pledgee is in continuous possession of the certificate representing the Corporation Bond.

(Loss of a Corporation Bond Certificate)

- Article 14 (1) Corporation Bond certificates may be invalidated pursuant to the public notification procedures under Article 142 of the Non-Contentious Case Procedures Act (Act No. 14 of 1898).
- (2) A person that has lost a Corporation Bond certificate may not request the reissuance thereof until after that person obtains the order of nullification provided for in Article 148, paragraph (1) of the Non-Contentious Case Procedures Act.

(Redemption of Corporation Bonds with Missing Coupons)

Article 15 (1) If the Corporation redeems a Corporation Bond for which bond certificates have been issued before the Corporation Bond matures but the coupon attached to the bond is missing, the Corporation must deduct the amount of the claim for interest on the Corporation Bond that is indicated on the coupon from the redemption value; provided, however, that this does not apply if the claim has fallen due.

(2) The person in possession of the coupon referred to in the preceding paragraph may demand at any time that the Corporation pay the amount that is required be deducted under the provisions of that paragraph in exchange for the coupon.

(Extinctive Prescription of Right to Claim Redemption of a Corporation Bond)

Article 16 (1) The right to claim redemption of a Corporation Bond is extinguished by prescription if not exercised for ten years.

(2) The right to claim interest on a Corporation Bond and the right to make a demand under the provisions of paragraph (2) of the preceding Article is extinguished by prescription if not exercised for five years.

(Authorization to Issue Corporation Bonds)

Article 17 (1) When seeking authorization to issue Corporation Bonds pursuant to Article 42, paragraph (1) or Article 126, paragraph (1) of the Deposit Insurance Act; Article 20, paragraph (1) of the Supplementary Provisions of the Deposit Insurance Act; Article 65, paragraph (1) of the Act on Emergency Measures for the Revitalization of Financial Functions (Act No. 132 of 1998); Article 16, paragraph (1) of the Act on Emergency Measures for the Early Strengthening of Financial Functions (Act No. 143 of 1998); Article 49, paragraph (1) of the Industrial Revitalization Corporation Act (Act No. 27 of 2003); or Article 44, paragraph (1) of the Act on Special Measures for Strengthening Financial Functions (Act No. 128 of 2004); the Corporation must submit a written application stating the following particulars to the supervisory authority no later than twenty days prior to the day of soliciting subscriptions for the Corporation Bonds:

- (i) The reasons necessitating the issuance of the Corporation Bonds and the statutory provisions on which their issuance is based;
- (ii) The particulars set forth in Article 3, items (i) to (v) and (vii) and Article 4, paragraph (1), items (i), (v), and (vi);
- (iii) The manner of soliciting subscriptions for the Corporation Bonds;
- (iv) The estimated amount of costs needed to issue the Corporation Bonds;
- (v) In addition to what is set forth in the preceding items, the particulars that the Corporation seeks to give on the Corporation Bond certificates.

(2) The following documents must accompany the written application referred to in the preceding paragraph:

- (i) A document giving the particulars set forth in the items of Article 4, paragraph (1);
- (ii) A document stating the purpose of use of the funds procured through the issuance of the Corporation Bonds;
- (iii) A document stating the prospects of subscription for the Corporation Bonds.

(Supervisory Authority)

Article 18 The supervisory authority prescribed in paragraph (1) of the preceding Article is the Commissioner of the Financial Services Agency and the Minister of Finance, if the authorization referred to in that paragraph pertains to the issuance of Corporation Bonds under Article 42, paragraph (1) or Article 126, paragraph (1) of the Deposit Insurance Act; Article 20, paragraph (1) of the Supplementary Provisions of the Deposit Insurance Act; Article 49, paragraph (1) of the Industrial Revitalization Corporation Act; or Article 44, paragraph (1) of the Act on Special Measures for the Strengthening of Financial Functions; and is the Prime Minister if the authorization referred to in in paragraph (1) of the preceding Article pertains to the issuance of Corporation Bonds under Article 65, paragraph (1) of the Act on Emergency Measures for the Revitalization of Financial Functions or Article 16, paragraph (1) of the Act on Emergency Measures for the Early Strengthening of Financial Functions.