

# **Cabinet Office Ordinance on Financial Instruments Business Association, etc.**

(Cabinet Office Ordinance No. 53 of August 7, 2007)

Pursuant to the provisions of the Financial Instruments and Exchange Act (Act No.25 of 1948) and the Order for Enforcement of the Financial Instruments and Exchange Act (Cabinet Order No.321 of 1965), and for the purpose of enforcing said Act and said Order, the Cabinet Office Ordinance on Financial Instruments Business Association, etc. is established as follows.

Chapter I General Provisions (Article 1)

Chapter II Authorized Financial Instruments Business Association (Article 1-2 – Article 21)

Chapter III Recognized Financial Instruments Business Association (Article 22 –Article 29)

Chapter IV Certified Investor Protection Organization (Article 30 – Article 32)

Chapter V Miscellaneous Provisions (Articles 33 and 34)

Supplementary Provisions

## **Chapter I General Provisions**

Article 1 (1) The terms "Securities", "Issuer", "Authorized Financial Instruments Business Association", "Financial Instruments Exchange" and "Financial Instruments Exchange Market" as used in this Cabinet Office Ordinance shall mean Securities, Issuer, Authorized Financial Instruments Business Association, Financial Instruments Exchange and Financial Instruments Exchange Market, respectively, as prescribed in Article 2 of the Financial Instruments and Exchange Act (hereinafter referred to as the "Act").

(2) In this Cabinet Office Ordinance, the meanings of the terms listed in the following items shall be as prescribed respectively in said items.

(i) Over-the-Counter Traded Securities mean Over-the-Counter Traded Securities prescribed in Article 2, paragraph (8), item (x), sub-item (c) of the Act.

(ii) Over-the-Counter Securities Market means Over-the-Counter Securities Market prescribed in Article 67, paragraph (2) of the Act.

(iii) Tradable Securities mean Tradable Securities prescribed in Article 67-18, item (iv) of the Act.

(iv) Listed Share Certificates, etc. mean Listed Share Certificates, etc. prescribed in Article 67-18, item (vii) of the Act.

## Chapter II Authorized Financial Instruments Business Association

(Persons Not Subject to Prohibition of Purchasing for General Investors, etc.)

Article 1-2 (1) The persons specified by Cabinet Office Ordinance prescribed in Article 67, paragraph (3) of the Act shall be the following persons (persons listed in items (i) to (iii) inclusive shall be limited to persons who entrust the purchase of said Securities to a Member Firm (meaning members of an Authorized Financial Instruments Business Association (hereinafter referred to as "Authorized Association")); the same shall apply hereinafter).

(i) Issuer of Securities

(ii) Director, etc. of the Issuer of Securities (meaning a person who is a director, company auditor, executive officer, board member or auditor or a person equivalent thereto) who holds, under the name of such person or another person, voting rights (including voting rights of shares or contribution which cannot be asserted against the Issuer pursuant to the provisions of Article 147, paragraph (1) or Article 148, paragraph (1) of the Act on Transfer of Bonds, Shares, etc. (Act No.75 of 2001) (including the cases where said provisions are applied mutatis mutandis pursuant to Article 228, paragraph (1), Article 235, paragraph (1), Article 239, paragraph (1) and Article 276 (limited to the part pertaining to item (ii)) of that Act; hereinafter referred to as "Subject Voting Rights" in this Article) exceeding 50 percent of the Voting Rights Held by All the Shareholders, etc. (meaning Voting Rights Held by All the Shareholders, etc. prescribed in Article 29-4, paragraph (2) of the Act; hereinafter the same shall apply in this Article) of said Issuer (hereinafter referred to as "Specified Officer" in this Article) or a Controlled Juridical Person, etc. of said Specified Officer (excluding those specified in the preceding item)

(iii) A company which holds, under the name of such person or another person, Subject Voting Rights exceeding 50 percent of the Voting Rights Held by All the Shareholders, etc. of the Issuer of Securities (excluding those specified in the preceding item)

(iv) Officer, etc. of the Issuer of Securities (limited to those listed in the following sub-items) (limited to persons who entrust the purchase of said Securities issued by said Issuer (limited to those conducted jointly with other Officers, etc. of said Issuer according to a certain plan, which is not based on individual investment decisions but based on a contract in which it is agreed that purchase will be conducted continually and that the amount contributed by Officers, etc. will be less than one million yen per purchase) to a Member Firm, excluding those specified in item (ii)):

(a) Securities specified in Article 2, paragraph (1), item (ix) of the Act;

- (b) Securities specified in Article 2, paragraph (1), item (xvii) of the Act which have the nature of Securities set forth in item (ix) of that paragraph;
  - (c) Beneficiary securities of securities trusts prescribed in Article 2-3, item (iii) of the Order for Enforcement of the Financial Instruments and Exchange Act (hereinafter referred to as the "Order") in which Securities specified in sub-item (a) or (b) are entrusted securities prescribed in said item; and
  - (d) Securities specified in Article 2, paragraph (1), item (xx) of the Act which indicate the rights pertaining to Securities specified in sub-item (a) or (b).
- (2) When a Specified Officer and Controlled Juridical Person, etc. of said Specified Officer jointly hold, under their own respective names or under the name of another person, Subject Voting Rights exceeding 50 percent of the Voting Rights Held by All the Shareholders, etc. of another juridical person, etc. (meaning juridical person or other organization; hereinafter the same shall apply in this Article), said other juridical person, etc. shall be deemed as a Controlled Juridical Person, etc. of said Specified Officer, and the provisions of item (ii) of the preceding paragraph and this paragraph shall apply to such cases.
- (3) "Controlled Juridical Person, etc." as used in paragraph (1), item (ii) and the preceding paragraph shall mean, when a Specified Officer holds, under the name of such person or another person, Subject Voting Rights exceeding 50 percent of the Voting Rights Held by All the Shareholders, etc. of another juridical person, etc., said juridical person, etc.
- (4) "Officer, etc." as used in paragraph (1), item (iv) shall mean Officer, etc. prescribed in Article 1-3-3, item (v) of the Order.

(Submission of Application for Authorization, etc.)

- Article 2 (1) A person who intends to obtain an authorization under Article 67-2, paragraph (2) of the Act must attach the documents prescribed in Article 67-3, paragraph (2) of the Act to the application for authorization referred to in paragraph (1) of that Article, and submit the same to the Prime Minister via the Commissioner of the Financial Services Agency.
- (2) Documents specified by Cabinet Office Ordinance prescribed in Article 67-3, paragraph (2) of the Act shall be the Officer's resume and extracts of residence certificate of that person (limited to those stating registered domicile of that person) or other documents in lieu thereof and a document with which the Officer pledges that said Officer does not fall under any of Article 29-4, paragraph (1), item (ii), (a) to (g) inclusive of the Act.

(Entrustment of Service)

- Article 3 (1) An Authorized Association may, pursuant to the provisions of the

articles of incorporation, entrust part of a service related to matters specified in Article 67-8 , paragraph (1), items (ix), (xii) and (xiv) of the Act to another Authorized Association or a Recognized Financial Instruments Business Association prescribed in Article 78, paragraph (2) of the Act (hereinafter referred to as "Recognized Association"), in addition to the service prescribed in Article 77-3, paragraph (1) of the Act.

- (2) An Authorized Association or a Recognized Association that has been entrusted with a service pursuant to the provisions of the preceding paragraph may not entrust said entrusted service to another person.

(Public Inspection of Copy of Register of Over-the-Counter Traded Securities)

Article 4 An Authorized Association must, pursuant to the provisions of Article 67-11, paragraph (2) of the Act, make a copy of the Register of Over-the-Counter Traded Securities available for public inspection during its operating hours.

(Notification Pertaining to Registration in Register of Over-the-Counter Traded Securities)

Article 5 (1) An Authorized Association making notification pertaining to the registration pursuant to the provisions of Article 67-13 of the Act must attach the following documents to a written notice stating the class, issues and the scheduled date of the registration of Securities to be registered, and submit the same to the Director-General of the Local Finance Bureau having jurisdiction over the location of the principal office of said Authorized Association (if said location is within the jurisdictional district of the Fukuoka Local Finance Branch Bureau, the Director-General of the Fukuoka Local Finance Branch Bureau; hereinafter the same shall apply in paragraph (1) of the following Article):

- (i) documents indicating that the registration of said Securities is in accordance with the standards and methods of registration specified by said Authorized Association in its rules pursuant to the provisions of Article 67-12, item (i) of the Act; and
  - (ii) other materials that will be helpful for understanding said Securities.
- (2) The notification referred to in the preceding paragraph must be made by the day before the date on which registration referred to in that paragraph is to be done.

(Notification Pertaining to Rescission of Registration of Over-the-Counter Traded Securities)

Article 6 (1) An Authorized Association making notification pertaining to the rescission of registration pursuant to the provisions of Article 67-13 of the Act

must attach the following documents to a written notice stating the class, issues, the scheduled date of and the reason for the rescission of registration of Over-the-Counter Traded Securities of which registration is to be rescinded, and submit the same to the Director-General of the Local Finance Bureau having jurisdiction over the location of the principal office of said Authorized Association:

- (i) documents indicating that the rescission of registration of said Over-the-Counter Traded Securities is in accordance with the standards and methods of the rescission of registration specified by said Authorized Association in its rules pursuant to the provisions of Article 67-12, item (i) of the Act; and
  - (ii) documents stating whether or not the Issuer of said Over-the-Counter Traded Securities has consented to the rescission of the registration of said Over-the-Counter Traded Securities.
- (2) The notification referred to in the preceding paragraph must be made by seven days before the date on which the rescission of registration referred to in that paragraph is to be done (if any of the following facts has occurred in the Issuer of said Over-the-Counter Traded Securities, the day before said date):
- (i) dishonor of negotiable instrument or check (limited to those on the grounds of shortage of funds for payment) or disposition to suspend transactions with a clearinghouse;
  - (ii) suspension or abolition of entire business;
  - (iii) application for commencement of bankruptcy proceedings, rehabilitation proceedings or reorganization proceedings; or
  - (iv) in addition to the facts listed in the preceding three items, facts specified by said Authorized Association in its rules as those which require prompt rescission of registration.

(Reporting When Sales and Purchase of Over-the-Counter Traded Securities Has Been Effected)

Article 7 (1) The report pursuant to the provisions of Article 67-18 of the Act in the case specified in item (i) of that Article must be made in accordance with the categories of cases listed in the following items by the time specified therein; provided, however, that in the event of malfunctioning or maintenance/inspection of the electronic data processing system, or if matters to be reported have dramatically and rapidly increased or if there is any other compelling reason, the report shall be made promptly after such reason has disappeared.

- (i) If sales and purchase has been effected between 8:10am and 5:00pm on a business day of the Authorized Association to which a Member Firm belongs (hereinafter referred to as "Member Firm's Authorized Association" in this Chapter): Within five minutes after sales and purchase has been effected.

- (ii) If sales and purchase has been effected at 8:10am or earlier on a business day of the Member Firm's Authorized Association: 8:30am of said business day.
  - (iii) In cases other than those specified in the preceding two items: 8:30am on the business day following the day on which sales and purchase was effected.
- (2) Matters specified by Cabinet Office Ordinance prescribed in Article 67-18, item (i) of the Act shall be the date and time when sales and purchase was effected.

(Reporting When Offer for Sales or Purchase of Over-the-Counter Traded Securities Has Been Made)

- Article 8 (1) The report pursuant to the provisions of Article 67-18 of the Act in the case specified in item (ii) of that Article on an offer made between 8:00am and 11:00am and between 12:05pm and 3:00pm on a business day of the Member Firm's Authorized Association must be made immediately after said offer; provided, however, that in the event of malfunctioning or maintenance/inspection of the electronic data processing system, or if matters to be reported have dramatically and rapidly increased or if there is any other compelling reason, the report shall be made promptly after such reason has disappeared.
- (2) Matters specified by Cabinet Office Ordinance prescribed in Article 67-18, item (ii) of the Act shall be volume and sales or purchase.

(Reporting When Entrustment of Sales and Purchase of Over-the-Counter Traded Securities Has Been Accepted, etc.)

- Article 9 (1) The report pursuant to the provisions of Article 67-18 of the Act in the case specified in item (iii) of that Article on orders performed (limited to those performed between 8:00am and 11:00am and between 12:05pm and 3:00pm on a business day of the Member Firm's Authorized Association) based on Acceptance of an Entrustment, etc. (meaning Accepting an Entrustment, etc. prescribed in Article 44-2, paragraph (1), item (i) of the Act; the same shall apply hereinafter) must be made immediately after said order; provided, however, that in the event of malfunctioning or maintenance/inspection of the electronic data processing system, or if matters to be reported have dramatically and rapidly increased or if there is any other compelling reason, the report shall be made promptly after such reason has disappeared.
- (2) Matters specified by Cabinet Office Ordinance prescribed in Article 67-18, item (iii) of the Act shall be sales or purchase.

(Reporting When Sales and Purchase of Tradable Securities Has Been Effected)

- Article 10 (1) The report pursuant to the provisions of Article 67-18 of the Act in

the case specified in item (iv) of that Article must be made by 5:00pm on the day on which sales and purchase was effected (for issues of which reporting by the first Monday after the day on which said sales and purchase was effected is deemed sufficient by the Member Firm's Authorized Association in its rules, by said Monday (if said Monday falls on a non-business day of said Member Firm's Authorized Association, by the following business day: hereinafter the same shall apply in Article 12, paragraph (1) and Article 13, paragraph (1)); provided, however, that in the event of malfunctioning or maintenance/inspection of the electronic data processing system, or if matters to be reported have dramatically and rapidly increased or if there is any other compelling reason, the report shall be made promptly after such reason has disappeared.

- (2) Matters specified by Cabinet Office Ordinance prescribed in Article 67-18, item (iv) of the Act shall be the date and time when sales and purchase was effected.

(Tradable Securities)

Article 11 Securities specified by Cabinet Office Ordinance prescribed in Article 67-18, item (iv) of the Act shall be as follows:

- (i) share option certificates;
- (ii) subscription certificates (meaning Securities specified in Article 2, paragraph (1), item (vi) of the Act; the same shall apply hereinafter);
- (iii) preferred equity investment certificates prescribed in the Act on the Securitization of Assets (Act No.105 of 1998); and
- (iv) investment securities (meaning investment securities prescribed in the Act on Investment Trust and Investment Corporation (Act No.198 of 1951); the same shall apply hereinafter).

(Reporting When Offer for Sales or Purchase of Tradable Securities Has Been Made)

Article 12 (1) The report pursuant to the provisions of Article 67-18 of the Act in the case specified in item (v) of that Article on the latest offer must be made by 5:00pm on the day on which said offer was made (for issues of which reporting by the first Monday after the day on which said offer was made is deemed sufficient by the Member Firm's Authorized Association in its rules, by said Monday); provided, however, that in the event of malfunctioning or maintenance/inspection of the electronic data processing system, or if matters to be reported have dramatically and rapidly increased or if there is any other compelling reason, the report shall be made promptly after such reason has disappeared.

- (2) Matters specified by Cabinet Office Ordinance prescribed in Article 67-18, item (v) of the Act shall be volume and sales or purchase.

(Reporting When Entrustment of Sales and Purchase of Tradable Securities  
Has Been Accepted, etc.)

Article 13 (1) The report pursuant to the provisions of Article 67-18 of the Act in the case specified in item (vi) of that Article on the latest Acceptance of an Entrustment, etc. must be made by 5:00pm on the day of said Acceptance of an Entrustment, etc. (for issues of which reporting by the first Monday after the day of said Acceptance of an Entrustment, etc. is deemed sufficient by the Member Firm's Authorized Association in its rules, by said Monday); provided, however, that in the event of malfunctioning or maintenance/inspection of the electronic data processing system, or if matters to be reported have dramatically and rapidly increased or if there is any other compelling reason, the report shall be made promptly after such reason has disappeared.

(2) Matters specified by Cabinet Office Ordinance prescribed in Article 67-18, item (vi) of the Act shall be sales or purchase.

(Listed Share Certificates, etc.)

Article 14 Those specified by Cabinet Office Ordinance prescribed in Article 67-18, item (vii) of the Act shall be as follows:

- (i) share certificates;
- (ii) corporate bond certificates with share options;
- (iii) share option certificates;
- (iv) subscription certificates;
- (v) preferred equity investment certificates prescribed in the Act on Preferred Equity Investment by Cooperative Structured Financial Institutions (Act No.44 of 1993);
- (vi) beneficiary securities of investment trusts prescribed in the Act on Investment Trust and Investment Corporation; and
- (vii) investment securities.

(Reporting When Sales and Purchase of Listed Share Certificates, etc.  
Conducted Outside of Financial Instruments Exchange Market Has Been  
Effected)

Article 15 (1) The report pursuant to the provisions of Article 67-18 of the Act in the case specified in item (vii) of that Article must be made in accordance with the categories of cases listed in the following items by the time specified therein; provided, however, that in the event of malfunctioning or maintenance/inspection of the electronic data processing system, or if matters to be reported have dramatically and rapidly increased or if there is any other compelling reason, the report shall be made promptly after such reason has disappeared.



- (i) If sales and purchase has been effected by using an electronic data processing system in which a large number of persons participate simultaneously as one party or individual parties or if sales and purchase has been effected between 8:10 am and 5:00 pm on a business day of the Member Firm's Authorized Association: Within five minutes after sales and purchase has been effected
  - (ii) If sales and purchase has been effected at 8:10 am or earlier on a business day of the Member Firm's Authorized Association (excluding the case set forth in the preceding item): 9:00 am of said business day
  - (iii) In cases other than those specified in the preceding two items: 8:30 am on the business day following the day on which sales and purchase was effected
- (2) Matters specified by Cabinet Office Ordinance prescribed in Article 67-18, item (vii) of the Act shall be the date and time when sales and purchase was effected as well as the Financial Instruments Exchange which publicized the trading price that served as the basis of calculation of price and said trading price.

(Reporting When Offer for Sales or Purchase of Listed Share Certificates, etc. Conducted Outside of Financial Instruments Exchange Market Has Been Made to a Large Number of Persons Simultaneously)

- Article 16 (1) The report pursuant to the provisions of Article 67-18 of the Act in the case specified in item (viii) of that Article must be made within five minutes after said offer; provided, however, that in the event of malfunctioning or maintenance/inspection of the electronic data processing system, or if matters to be reported have dramatically and rapidly increased or if there is any other compelling reason, the report shall be made promptly after such reason has disappeared.
- (2) The case specified by Cabinet Office Ordinance prescribed in Article 67-18, item (viii) of the Act shall be the case in which an offer for sales or purchase of Listed Share Certificates, etc. outside of a Financial Instruments Exchange Market is made to a large number of persons simultaneously.
  - (3) When reporting the price of Securities for which an offer for sales or purchase is made as prescribed in Article 67-18, item (viii) of the Act, the lowest price among the issues of said Securities for which an offer for sales is made shall be reported, and the highest price among issues of said Securities for which an offer for purchase is made shall be reported.
  - (4) Matters specified by Cabinet Office Ordinance prescribed in Article 67-18, item (viii) of the Act shall be volume and sales or purchase.

(Notices, etc. of Trading Volume, Price, etc.)

Article 17 Pursuant to the provisions of Article 67-19 of the Act, an Authorized

Association must, by a method specified in its rules, notify its Member Firms and also publicize the matters specified in the middle column of Appended Table 1 according to the respective categories of notice and public announcement specified in the left column of said Table with respect to the sales and purchase of Over-the-Counter Traded Securities conducted in an Over-the-Counter Securities Market established by said Authorized Association, the matters specified in the middle column of Appended Table 2 according to the respective categories of notice and public announcement specified in the left column of said Table with respect to the sales and purchase of Tradable Securities, and the matters specified in the middle column of Appended Table 3 according to the respective categories of notice and public announcement specified in the left column of said Table with respect to the sales and purchase of Listed Share Certificates, etc. conducted outside of a Financial Instruments Exchange Market.

(Report of Trading Volume, Price, etc.)

Article 18 Pursuant to the provisions of Article 67-20 of the Act, an Authorized Association must report to the Commissioner of the Financial Services Agency the matters specified in the middle column of Appended Table 4 according to the reporting categories specified in the left column of said Table with respect to the sales and purchase of Over-the-Counter Traded Securities conducted in an Over-the-Counter Securities Market established by said Authorized Association, the matters specified in the middle column of Appended Table 5 according to the reporting categories specified in the left column of said Table with respect to the sales and purchase of Tradable Securities, and the matters specified in the middle column of Appended Table 6 according to the reporting categories specified in the left column of said Table with respect to the sales and purchase of Listed Share Certificates, etc. conducted outside of a Financial Instruments Exchange Market.

(Persons Who Cannot Serve as Mediator)

Article 19 A person who falls under any of the following items may not become a mediator prescribed in Article 77-2, paragraph (2) of the Act (including the cases where it is applied mutatis mutandis pursuant to Article 77-3, paragraph (4) of the Act; hereinafter the same shall apply in the following Article and Article 21, paragraph (1)):

- (i) an adult ward, a person under curatorship, or a person who has received a decision of commencement of bankruptcy proceedings and has not obtained restoration of rights;
- (ii) a person who has been sentenced to imprisonment without work or severer punishment, and for whom five years have not passed since the day when the

- execution of the punishment terminated or he/she became free from the execution of the punishment;
- (iii) a public officer who has been dismissed from being a public officer by disciplinary action and has not yet passed two years from the date of said disposition;
  - (iv) a person whose removal from office has been decreed by an impeachment court;
  - (v) a person who has been subjected to exclusion from membership in a bar association through disciplinary action pursuant to the provisions of the Attorney Act (Act No.205 of 1949) or the Act on Special Measures concerning the Handling of Legal Services by Foreign Lawyers (Act No.66 of 1986), and has not yet passed three years from the date of said disposition; or
  - (vi) a person who has been subjected to deletion of registration as a certified public accountant, prohibition of business as a tax accountant or prohibition of business as a judicial scrivener through disciplinary action pursuant to the provisions of the Certified Public Accountants Act (Act No.103 of 1948), Licensed Tax Accountants Act (Act No.237 of 1951) or Judicial Scrivener Act (Act No.197 of 1950), and has not yet passed three years from the date of said disposition.

(Special Interest of Mediator)

Article 20 A person who has no special interest in any party involved in the Case as prescribed in Article 77-2, paragraph (2) of the Act (hereinafter simply referred to as the "party" in this Article and the following Article) shall be a person who does not fall under any of the following items:

- (i) the party or the party's spouse, or the party's former spouse;
- (ii) a person who is or has been the party's relative by blood within the fourth degree of kinship, the party's relative by affinity within the third degree of kinship or a relative sharing residence with the party;
- (iii) a person who is the party's guardian, a supervisor of the guardian, the party's curator, a supervisor of the curator, the party's assistant, or a supervisor of the assistant;
- (iv) a person who is or has been the party's proxy or assistant in the Case; or
- (v) a person who receives an income from the party by providing a service or has not yet passed three years from the day on which receipt of such income terminated.

(Notice of Not to Conduct Mediation)

Article 21 (1) An Authorized Association (if said Authorized Association has entrusted the mediation service prescribed in Article 77-2, paragraph (1) of the Act pursuant to the provisions of Article 77-3, paragraph (1) of the Act, the

person entrusted with said service; hereinafter the same shall apply in this Article) shall, when the mediator prescribed in Article 77-2, paragraph (2) of the Act has decided not to conduct mediation pursuant to the provisions of the proviso to that paragraph, notify the party to that effect in writing without delay.

- (2) An Authorized Association may, in lieu of the written notice pursuant to the provisions of the preceding paragraph, indicate to the party referred to in that paragraph the method to be used by said Authorized Association from among the following methods (hereinafter referred to as "electromagnetic means" in this Article) and the form of file recording in advance, obtain said party's consent in writing or by electromagnetic means, and notify the matters to be notified pursuant to the provisions of that paragraph by electromagnetic means. In this case, said Authorized Association shall be deemed to have given said notice in writing:
- (i) among methods involving the use of an electronic data processing system, method by which the matters to be notified are transmitted through electric telecommunication lines that interconnects the computer used by the sender and the computer used by the recipient and recorded in a file stored in the computer used by the recipient; or
  - (ii) magnetic disk, CD-ROM or other method similar thereto by which a file prepared in media that are capable of making accurate records of certain matters is recorded and delivered.
- (3) The methods listed in the items of the preceding paragraph must enable the recipient to prepare written documents by outputting the records in the file.
- (4) An Authorized Association that has obtained said party's consent prescribed in paragraph (2) must not, when a request not to receive a notice by electromagnetic means has been made by said party in writing or by electromagnetic means, notify said party of the matters to be notified pursuant to the provisions of paragraph (1) by electromagnetic means; provided, however, that this shall not apply to the cases where said party has given consent again under the provisions of paragraph (2).

### **Chapter III Recognized Financial Instruments Business Association**

(Documents To Be Attached to Application for Recognition)

Article 22 The documents specified by Cabinet Office Ordinance prescribed in Article 18-4-9, paragraph (2) of the Order shall be the following documents:

- (i) a document stating the method of carrying out operations pertaining to the application for recognition;
- (ii) a document showing that the Association has the knowledge and ability sufficient to carry out operations pertaining to the application for recognition

- appropriately and certainly;
- (iii) inventory of assets and other documents showing that the Association had financial basis in the last business year (in the case of a juridical person established in the business year to which the day of the application belongs, at the time of its establishment);
- (iv) Officer's resume and extracts of the Officer's residence certificate (limited to those stating the Officer's registered domicile) or other documents in lieu thereof; and
- (v) other documents stating matters that will be helpful.

(Entrustment of Service)

- Article 23 (1) A Recognized Association may, pursuant to the provisions of Article 79-3, paragraph (1) of the Act, entrust part of the services listed in Article 78, paragraph (2), items (i) to (iii) inclusive of the Act to an Authorized Association or another Recognized Association, in addition to the service specified in Article 78-8, paragraph (1) of the Act.
- (2) An Authorized Association or a Recognized Association that has been entrusted with a service pursuant to the provisions of the preceding paragraph may not entrust said entrusted service to another person.

(Reporting When Sales and Purchase of Listed Share Certificates, etc.

Conducted Outside of Financial Instruments Exchange Market Has Been Effected)

- Article 24 (1) The report pursuant to the provisions of Article 78-3 of the Act in the case specified in item (i) of that Article must be made in accordance with the categories of cases listed in the following items by the time specified therein; provided, however, that in the event of malfunctioning or maintenance/inspection of the electronic data processing system, or if matters to be reported have dramatically and rapidly increased or if there is any other compelling reason, the report shall be made promptly after such reason has disappeared.
- (i) If sales and purchase has been effected by using an electronic data processing system in which a large number of persons participate simultaneously as one party or individual parties or if sales and purchase has been effected between 8:10 am and 5:00 pm on a business day of the Recognized Association to which the member belongs (hereinafter referred to as "Member's Recognized Association" in the following item): Within five minutes after sales and purchase has been effected
  - (ii) If sales and purchase has been effected at 8:10 am or earlier on a business day of the Member's Recognized Association: (excluding the case set forth in the preceding item): 9:00 am of said business day

- (iii) In cases other than those specified in the preceding two items: 8:30am on the business day following the day on which sales and purchase was effected
- (2) Matters specified by Cabinet Office Ordinance prescribed in Article 78-3, item (i) of the Act shall be the date and time when sales and purchase was effected as well as the Financial Instruments Exchange which publicized the trading price that served as the basis of calculation of price and said trading price.

(Reporting When Offer for Sales or Purchase of Listed Share Certificates, etc. Conducted Outside of Financial Instruments Exchange Market Has Been Made to a Large Number of Persons Simultaneously)

- Article 25 (1) The report pursuant to the provisions of Article 78-3 of the Act in the case specified in item (ii) of that Article must be made within five minutes after said offer; provided, however, that in the event of malfunctioning or maintenance/inspection of the electronic data processing system, or if matters to be reported have dramatically and rapidly increased or if there is any other compelling reason, the report shall be made promptly after such reason has disappeared.
- (2) The case specified by Cabinet Office Ordinance prescribed in Article 78-3, item (ii) of the Act shall be the case in which an offer for sales or purchase of Listed Share Certificates, etc. outside of a Financial Instruments Exchange Market is made to a large number of persons simultaneously.
- (3) When reporting the price of Securities for which an offer for sales or purchase is made as prescribed in Article 78-3, item (ii) of the Act, the lowest price among the issues of said Securities for which an offer for sales is made shall be reported, and the highest price among issues of said Securities for which an offer for purchase is made shall be reported.
- (4) Matters specified by Cabinet Office Ordinance prescribed in Article 78-3, item (ii) of the Act shall be volume and sales or purchase.

(Notices, etc. of Trading Volume, Price, etc.)

Article 26 Pursuant to the provisions of Article 78-4 of the Act, a Recognized Association must, by a method specified in its rules, notify its members and also publicize the matters specified in the middle column of Appended Table 7 according to the respective categories of notice and public announcement specified in the left column of said Table.

(Report of Trading Volume, Price, etc.)

Article 27 Pursuant to the provisions of Article 78-5 of the Act, a Recognized Association must report to the Commissioner of the Financial Services Agency the matters specified in the middle column of Appended Table 8 according to the reporting categories specified in the left column of said Table.

(Application Mutatis Mutandis of Provisions on Mediation)

Article 28 The provisions of Articles 19 to 21 inclusive shall apply mutatis mutandis to cases in which the provisions of Article 77-2, paragraph (2) of the Act are applied mutatis mutandis pursuant to Article 78-7 of the Act, and cases in which the provisions of Article 77-2, paragraph (2) are applied mutatis mutandis under Article 78-7 of the Act pursuant to Article 78-8, paragraph (4) of the Act.

(Securities for Which Solicitation for Sales and Purchase or for Other Transactions Is Not Prohibited)

Article 29 Securities specified by Cabinet Office Ordinance prescribed in Article 79-3, paragraph (1), item (ii) of the Act shall be as follows:

- (i) share option certificates;
- (ii) subscription certificates;
- (iii) preferred equity investment certificates prescribed in the Act on the Securitization of Assets; and
- (iv) investment securities.

#### **Chapter IV Certified Investor Protection Organization**

(Resolution of Complaints or Mediation Service, etc.)

Article 30 (1) The service specified by Cabinet Office Ordinance prescribed in Article 18-4-10, paragraph (2), item (viii) of the Order shall be the resolution of complaints against services to perform Transactions on a Commodity Market, etc. prescribed in Article 2, paragraph (16) of the Commodity Exchange Act (Act No.239 of 1950) or mediation if there is a dispute over said services.

(2) The documents specified by Cabinet Office Ordinance prescribed in Article 18-4-10, paragraph (2), item (viii) of the Order shall be documents stating the opinions of the Minister of Agriculture, Forestry and Fisheries and the Minister of Economy, Trade and Industry as to whether the Organization has the knowledge and ability sufficient to resolve complaints and conduct mediation referred to in the preceding paragraph appropriately and certainly.

(Target Business Operators)

Article 31 Persons specified by Cabinet Office Ordinance prescribed in Article 79-11, paragraph (1) of the Act shall be persons listed in the left column of the table in Article 18-4-10, item (v) of the Order (limited to persons who conduct transactions specified in the middle column of said table).

(Transactions Subject to Mediation, etc.)

- Article 32 (1) Transactions specified by Cabinet Office Ordinance prescribed in Article 77-2, paragraph (1) of the Act as applied mutatis mutandis by replacing certain terms pursuant to Article 79-13 of the Act shall be sales and purchase or other transactions of Securities or transactions incidental to Derivative Transactions, etc. (meaning Derivative Transactions, etc. prescribed in Article 33, paragraph (3) of the Act) and transactions specified in the middle column of the table in Article 18-4-10, paragraph (5) of the Order.
- (2) The provisions of Articles 19 to 21 inclusive shall apply mutatis mutandis to cases in which the provisions of Article 77-2, paragraph (2) of the Act are applied mutatis mutandis pursuant to Article 79-13 of the Act.

## **Chapter V Miscellaneous Provisions**

### **(Report on Business)**

- Article 33 (1) Pursuant to the provisions of Article 188 of the Act, an Authorized Association must prepare documents stating the maintenance and administration status of the electronic data processing system used in the business to establish an Over-the-Counter Securities Market (hereinafter simply referred to as "electronic data processing system" in this Article) every month, and submit the same to the Commissioner of the Financial Services Agency by the last day of the following month.
- (2) Pursuant to the provisions of Article 188 of the Act, an Authorized Association must, in the event of the malfunction of the electronic data processing system, when it has become difficult to continually conduct the sale and purchase, public announcement of market price, transfer or other settlement of Securities or the public inspection prescribed in Article 30, paragraph (1), item (ii) of the Order by using said electronic data processing system, immediately report to that effect to the Commissioner of the Financial Services Agency, and submit a document stating the outline of said malfunctioning, cause, process, matters to be improved upon and other necessary matters to the Commissioner of the Financial Services Agency without delay.
- (3) Pursuant to the provisions of Article 188 of the Act, an Authorized Association must, if there have been changes in the content of the electronic data processing system which involve changes in the installation site, capacity or maintenance method of the electronic data processing system or troubleshooting method in the event of malfunctioning of the electronic data processing system, submit a document describing said changes to the Commissioner of the Financial Services Agency without delay.

### **(Standard Processing Period)**



Article 34 (1) The Prime Minister or the Commissioner of the Financial Services Agency shall endeavor to process an application for authorization referred to in Article 67-2, paragraph (2), Article 67-8, paragraph (2), Article 67-12, Article 77-6, paragraph (2) or Article 79-3, paragraph (1) of the Act, recognition under the provisions of Article 78, paragraph (1) or certification under Article 79-7, paragraph (1) within one month of the arrival of said application at the office of the Prime Minister or the Commissioner.

(2) The period prescribed in the preceding paragraph shall not include the following periods:

- (i) period required to make corrections to said application;
- (ii) period required by the person who filed said application to change the content of said application; or
- (iii) period required by the person who filed said application to add materials deemed necessary for examination of said application.

Appended Table 1 (related to Article 17) Appended Table 1 (related to Article 17)

Appended Table 2 (related to Article 17) Appended Table 2 (related to Article 17)

Appended Table 3 (related to Article 17) Appended Table 3 (related to Article 17)

Appended Table 4 (related to Article 18) Appended Table 4 (related to Article 18)

Appended Table 5 (related to Article 18) Appended Table 5 (related to Article 18)

Appended Table 6 (related to Article 18) Appended Table 6 (related to Article 18)

Appended Table 7 (related to Article 26) Appended Table 7 (related to Article 26)

Appended Table 8 (related to Article 27) Appended Table 8 (related to Article 27)