

Act on Engagement in Trust Business by Financial Institutions

(Act No. 43 of March 11, 1943)

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Chapter I General Provisions

(Authorization for Engagement in Trust Business by Financial Institutions)

Article 1 (1) A bank or other financial institution (limited to those specified by Cabinet Order; hereinafter referred to as a "financial institution") may, notwithstanding the provisions of other Acts, engage in trust business as defined in Article 2, paragraph (1) of the Trust Business Act (Act No. 154 of 2004) and the following business (excluding those specified by Cabinet Order; hereinafter collectively referred to as "trust business") with the authorization of the Prime Minister:

- (i) agency for trust agreements defined in Article 2, paragraph (8) of the Trust Business Act;
- (ii) the business of purchasing and selling, etc. of beneficial interests in trusts (meaning the business of carrying out the purchase and sale, etc. of a beneficial interest in a trust (purchase and sale, etc. of beneficial interests in trusts as defined in Article 65-5, paragraph (1) of the Financial Instruments and Exchange Act (Act No. 25 of 1948); the same applies in paragraphs (3) and (4) of the following Article)
- (iii) management of property (limited to property of the same type as the trust property to be entrusted to the financial institution, managed using the same method as the trust property specified as part of the type and method of trust business set forth in the following paragraph);
- (iv) execution of wills in connection with property;

- (v) account auditing;
 - (vi) agency or intermediary services for the acquisition, disposition, or borrowing or lending of property; and
 - (vii) agency functions for the following particulars:
 - (a) management of property as set forth in item (iii);
 - (b) arrangement or liquidation of property;
 - (c) collection of claims;
 - (d) performance of obligations.
- (2) Pursuant to the provisions of Cabinet Office Order, a financial institution must decide the type and method of trust business and obtain authorization under the preceding paragraph.
- (3) If an application for the authorization under paragraph (1) has been made, the Prime Minister must examine whether the application conforms to the following standards:
- (i) the applicant has a sufficient financial basis to perform trust business soundly and the ability to perform trust business properly; and
 - (ii) the implementation of trust business by the applicant is unlikely to disturb the order of the financial system.

(Application, Mutatis Mutandis, of the Trust Business Act)

Article 2 (1) The provisions of Article 11, Articles 22 through 24, Articles 25 through 31, and Articles 42 through 49 of the Trust Business Act apply mutatis mutandis when a financial institution engages in trust business. In such a case, the phrase "in a case where a renewal of registration under Article 7, paragraph (3) has not been effected, a license under Article 3 has been rescinded pursuant to the provisions of Article 44, paragraph (1), or a case where a registration under Article 7, paragraph (1) has been rescinded pursuant to the provisions of Article 45, paragraph (1), or a license under Article 3 or a registration under Article 7, paragraph (1) has lost its effect pursuant to the provisions of Article 46, paragraph (1)" in Article 11, paragraph (10) of that Act is deemed to be replaced with "in a case where an authorization under Article 1, paragraph (1) of the Act on Engagement in Trust Business by Financial Institutions has been rescinded pursuant to the provisions of Article 10 of that Act, or an authorization under Article 1, paragraph (1) of that Act has lost its effect pursuant to the provisions of Article 11 of that Act", the term "designated dispute resolution organization" in Article 23-2 of the Trust Business Act is deemed to be replaced with "designated dispute resolution organization as prescribed in Article 12-2, paragraph (1), item (viii) of the Act on Engagement in Trust Business by Financial Institutions", the term "basic contract for implementation of dispute resolution procedures" in Article 23-2, paragraph (1), item (i) of the Trust Business Act is

deemed to be replaced with "basic contract for implementation of dispute resolution procedures (meaning a basic contract for implementation of dispute resolution procedures as prescribed in Article 12-2, paragraph (1), item (viii) of the Act on Engagement in Trust Business by Financial Institutions", the term "trust business subject to dispute resolution procedure" in Article 23-2, paragraph (1), item (ii) of the Trust Business Act is deemed to be replaced with "Specific Concurrent Business defined in Article 12-2, paragraph (4) of the Act on Engagement in Trust Business by Financial Institutions", the phrases "dispute resolution services" and "Article 85-2, paragraph (1)" in Article 23-2, paragraph (3) of the Trust Business Act are deemed to be replaced with "dispute resolution services as prescribed in Article 12-2, paragraph (1) of the Act on Engagement in Trust Business by Financial Institutions" and "Article 12-2, paragraph (1) of the Act on Engagement in Trust Business by Financial Institutions" respectively, the phrase "to submit notifications under Articles 17 through 19 or take measures under that Article, or" in Article 42, paragraph (2) of the Trust Business Act is deemed to be replaced with "or", the phrase "has not accepted renewal of registration under Article 7, paragraph (3), has rescinded a license under Article 3 pursuant to the provisions of Article 44, paragraph (1), or has rescinded a registration under Article 7, paragraph (1) pursuant to the provisions of Article 45, paragraph (1)" in Article 49, paragraph (1) of the Trust Business Act is deemed to be replaced with "has rescinded an authorization under Article 1, paragraph (1) of the Act on Engagement in Trust Business by Financial Institutions pursuant to the provisions of Article 10 of that Act", and any other necessary technical replacement of terms is specified by Cabinet Order.

- (2) When a financial institution engaged in trust business entrusts a third party with acting as an agent or intermediary for the conclusion of a trust agreement (excluding that specified by Cabinet Office Order), the financial institution is deemed to be a trust company and Article 2, paragraph (8) and the provisions of Chapter V (including penal provisions pertaining to these provisions) of the Trust Business Act apply. In such a case, the term "entrusting trust company" in that Chapter is deemed to be replaced with "entrusting financial institution engaged in trust business" and the phrase "the provisions of Article 34, paragraph (1)" in Article 78, paragraph (1) of that Act is deemed to be replaced with "Article 21, paragraph (2) of the Banking Act (Act No. 59 of 1981) and any other provisions specified by Cabinet Order".
- (3) Notwithstanding the provisions of Article 33-2 of the Financial Instruments and Exchange Act, a financial institution engaged in trust business may engage in business of purchasing and selling, etc. of beneficial interests in trusts.
- (4) When a financial institution engaged in trust business engages in the

business of purchasing and selling, etc. of beneficial interests in trusts pursuant to the provisions of the preceding paragraph, the financial institution is deemed to be a registered financial institution (meaning a registered financial institution as defined in Article 2, paragraph (11) of the Financial Instruments and Exchange Act) and the provisions of Articles 34 through 34-5, Article 36, paragraph (1), Article 36-3, Article 37 (excluding paragraph (1), item (ii)), Article 37-2, Article 37-3 (excluding paragraph (1), item (ii)), Article 37-4, Article 37-6, Article 38 (excluding item (vii)), Article 39 (excluding paragraph (4) and (6)), Article 40, Article 40-4, Article 40-5, Article 45, items (i) and (ii), Article 48, Article 48-2, Article 51-2, Article 52-2, paragraphs (1) and (2), Article 56-2, paragraph (1), Article 190, and Article 194-5, paragraph (2) of the Financial Instruments and Exchange Act and the provisions of Chapter VIII and Chapter VIII-2 of that Act pertaining to those provisions apply. In such a case, the phrases "any of the following items" and "may rescind its registration under Article 33-2, or order suspension of all or part of its business by specifying a period not exceeding six months" in Article 52-2, paragraph (1) of that Act are deemed to be replaced with "item (iii) or (v)" and "may order suspension of all or part of its business by specifying a period not exceeding six months" respectively, and the phrase "any of items (iii) through (v) of the preceding paragraph" in Article 52-2, paragraph (2) of that Act is deemed to be replaced with "item (iii) or (v) of the preceding paragraph".

(Application, Mutatis Mutandis, of the Financial Instruments and Exchange Act)

Article 2-2 The provisions of Chapter III, Section 1, Subsection 5 (excluding Article 34-2, paragraphs (6) through (8) and Article 34-3, paragraphs (5) and (6)), the provisions of Chapter III, Section 2, Subsection 1 (excluding Articles 35 through 36-4, Article 37, paragraph (1), item (ii), Article 37-2, Article 37-3, paragraph (1), items (ii) through (iv) and (vi) and paragraph (3), Article 37-4, Article 37-5, Article 37-7, Article 38, items (i), (ii), (vii) and (viii), Article 38-2, Article 39, paragraph (1), paragraph (2), item (ii) and paragraph (3), paragraph (4), paragraph (6) and paragraph (7), Article 40, item (i), and Articles 42-2 through 40-7) and Article 45 (excluding items (iii) and (iv)) of the Financial Instruments and Exchange Act apply mutatis mutandis to the acceptance of trust under the specific trust agreement (meaning a specific trust agreement as defined in Article 24-2 of the Trust Business Act) by a financial institution. In such a case, the terms "financial instruments transaction contract" and "financial instruments business" in those provisions are deemed to be replaced with "specific trust agreement" and "business of concluding specific trust agreements" respectively, the term "act that constitutes a financial instruments transaction" in these provisions (excluding Article 34 of the

Financial Instruments and Exchange Act) is deemed to be replaced with "conclusion of a specific trust agreement", the phrase "a contract to conduct acts that constitute financial instruments transactions (meaning acts set forth in the items of Article 2, paragraph (8); the same applies hereinafter) with a customer as the other party or on behalf of a customer" in Article 34 of that Act is deemed to be replaced with "a specific trust agreement as defined in Article 24-2 of the Trust Business Act", the phrase "the trade name or name and address" in Article 37-3, paragraph (1), item (i) of the Financial Instruments and Exchange Act is deemed to be replaced with "the address", the phrase "Article 37-4, paragraph (1)" in Article 37-6, paragraph (1) of that Act is deemed to be replaced with "Article 26, paragraph (1) of the Trust Business Act as applied mutatis mutandis pursuant to Article 2, paragraph (1) of the Act on Engagement in Trust Business by Financial Institutions", the phrases "purchase and sale or other transaction of securities, etc." and "set forth in item (i) of the preceding paragraph" in Article 39, paragraph (2), item (i) of the Financial Instruments and Exchange Act are deemed to be replaced with "conclusion of a specific trust agreement (excluding a trust agreement prescribed in Article 6 of the Act on Engagement in Trust Business by Financial Institutions" and "compensations of losses, etc. (meaning compensation of losses or filling in of income as prescribed in Article 24, paragraph (1), item (iv) of the Trust Business Act as applied mutatis mutandis pursuant to Article 2, paragraph (1) of the Act on Engagement in Trust Business by Financial Institutions; the same applies in item (iii))" respectively, the phrases "purchase and sale or other transaction of securities, etc." and "provided under item (iii) of the preceding paragraph" in Article 39, paragraph (2), item (iii) of the Financial Instruments and Exchange Act are deemed to be replaced with "conclusion of a specific trust agreement" and "related to compensation of losses, etc." respectively, the term "problematic conduct" in Article 39, paragraph (5) of the Financial Instruments and Exchange Act is deemed to be replaced with "problematic conduct attributable to the financial institution (meaning a financial institution as defined in Article 1, paragraph (1) of the Act on Engagement in Trust Business by Financial Institutions)", and any other necessary technical replacement of terms is specified by Cabinet Order.

(Authorization for Changes to the Type and Method of Trust Business)

Article 3 If a financial institution engages in trust business, before seeking to change the type or method of its trust business, it must obtain authorization from the Prime Minister.

Chapter II Business

(Granting of Credit to One Person)

Article 4 When the provisions of Article 13 of the Banking Act (Act No. 59 of 1981) or other provisions pertaining to the granting of credit, etc. to one person by a financial institution are applied to a financial institution engaged in trust business, different provisions may be provided for the credit grant category or the credit grant limit, etc. prescribed in these provisions.

(Changes to the Basic Terms and Conditions for a Standard Trust Agreement)

Article 5 (1) If a financial institution engaged in trust business seeks to change the basic terms and conditions of a standard trust agreement (excluding trust agreements pertaining to a loan trust or an investment trust) that involves a large number of persons as the settlors or beneficiaries, it may do so either by obtaining the consent of all settlors and beneficiaries of the standard trust agreement, or by obtaining authorization from the Prime Minister and giving public notice to the effect that any settlor or beneficiary that opposes the changes is to state the objection within a certain period of time.

(2) The period of time under the preceding paragraph must be at least one month.

(3) When a settlor or beneficiary does not state an objection within the period of time under paragraph (1), the settlor or beneficiary is deemed to have accepted the changes to the contract.

(4) A beneficiary that has stated an objection within the period of time under paragraph (1) may demand the financial institution engaged in trust business to purchase the beneficial interest at the fair price that the beneficiary would have enjoyed if the changes had not been made.

(5) The provisions of Article 103, paragraph (7) and Article 104 of the Trust Act (Act No. 108 of 2006) apply *mutatis mutandis* if a demand under the preceding paragraph has been made. In such a case, the phrase "act of trust or decision making on major changes, etc. to a trust" in the proviso to Article 104, paragraph (12) of that Act is deemed to be replaced with "basic terms and conditions for a standard trust agreement", the phrase "paragraph (1) or (2) of the preceding Article" in Article 104, paragraph (13) of that Act is deemed to be replaced with "Article 5, paragraph (4) of the Act on Engagement in Trust Business by Financial Institutions", and the phrase "act of trust or decision making on major changes, etc. to a trust" in the proviso to Article 104, paragraph (13) of that Act is deemed to be replaced with "basic terms and conditions for a standard trust agreement".

(Conclusion of a Trust Agreement on Compensation of Loss)

Article 6 Notwithstanding the provisions of Article 24, paragraph (1), item (iv) of the Trust Business Act as applied *mutatis mutandis* pursuant to Article 2,

paragraph (1), a financial institution engaged in trust business may, pursuant to the provisions of Cabinet Office Order, conclude a trust agreement (limited to that specified by Cabinet Office Order) which provides to the effect that if a loss in principal has occurred or a certain amount of income has not been obtained the loss will be compensated or the gap in the profits will be filled, but only for a money trust for which the method of investment is not specified.

Chapter III Supervision

(Trust Business Report)

Article 7 For each business year, a financial institution engaged in trust business must prepare an interim business report for the interim business year (meaning the period from April 1 to September 30 of the relevant business year) that is a part of the relevant business year, stating the trust business and the financial status of trust business, and a business report for the relevant business year, and submit them to the Prime Minister.

(Notification)

Article 8 (1) If a financial institution engaged in trust business has come to fall under any of the following items, it must file a notification of this with the Prime Minister without delay:

- (i) when it has commenced trust business;
- (ii) if it has terminated trust business (including if it has had all of its trust business succeeded to through a company split or has transferred all of its trust business);
- (iii) if it has implemented a merger (excluding cases in which the financial institution engaged in trust business disappears as a result of the merger), has had part of its trust business succeeded to through a company split, or has transferred part of its trust business; or
- (iv) if it falls under a case as specified by Cabinet Office Order.

(2) If a financial institution engaged in trust business falls under any of the following items, it must file a notification of this with the Prime Minister:

- (i) if it seeks to establish, change the location of, or close the business office or office at which all or part of the trust business are conducted, or to change the contents of the trust business conducted at such a business office or office; or
- (ii) if it falls under a case as specified by Cabinet Office Order.

(3) If a financial institution engaged in trust business seeks to terminate its trust business, implement a merger (limited to a merger through which the financial institution engaged in trust business will disappear), dissolve due to reasons other than merger or an order commencing bankruptcy proceedings, have all or

part of its trust business succeeded to through a company split, or transfer all or part of its trust business, it must give public notice of this at least 30 days in advance and post a notice to that effect in a place easily seen by the public at all of its business offices, pursuant to the provisions of Cabinet Office Order.

(4) If a financial institution engaged in trust business has given the public notice under the preceding paragraph, it must immediately file a notification of this with the Prime Minister.

(Suspension of Business)

Article 9 If the Prime Minister finds it to be necessary to do so in order to ensure the sound and appropriate operation of trust business by a financial institution engaged in trust business in light of the business or financial status of the financial institution engaged in trust business, the Prime Minister may set a term and order the suspension of all or part of trust business, or may order changes to the type or method of trust business, the depositing of property, or any other measures necessary for supervision, within the limits necessary.

(Rescission of Authorization)

Article 10 If a financial institution engaged in trust business has violated laws and regulations, or orders from the Prime Minister based on laws and regulations, or has engaged in conduct that is contrary to the public interest in the implementation of trust business, the Prime Minister may order the financial institution engaged in trust business to suspend all or part of its trust business or may rescind the authorization under Article 1, paragraph (1).

(Lapse of Authorization)

Article 11 If a financial institution engaged in trust business falls under any of the following items, the authorization under Article 1, paragraph (1) loses its effect:

- (i) if it has terminated all of its trust business;
- (ii) if it has had all of its trust business succeeded to through a company split or has transferred all of its trust business;
- (iii) if it has dissolved (including if a judgment nullifying the incorporation, share transfer, merger (limited to a merger through which a financial institution engaged in trust business is incorporated) or incorporation-type company split has become final and binding); or
- (iv) if it has failed to do the things it has been authorized to do within six months from the day on which it was authorized to do them (unless it has a compelling reason for this and has obtained the approval of the Prime Minister in advance).

(Public Notice of Supervisory Disposition)

Article 12 If the Prime Minister has rescinded the authorization under Article 1, paragraph (1) pursuant to the provisions of Article 10, or has ordered the suspension of all or part of trust business pursuant to the provisions of Article 9 or Article 10, the Prime Minister must give public notice to that effect.

Chapter IV Designated Dispute Resolution Organizations

(Designation of a Person to Conduct Dispute Resolution Services)

Article 12-2 (1) The Prime Minister may, upon an application, designate a person or persons satisfying the following requirements to conduct dispute resolution services (meaning the business of complaint processing procedures (meaning procedures to process complaints related to specific concurrent business) and dispute resolution procedures (meaning procedures seeking resolution of a dispute related to specific concurrent business without going through court proceedings) and business incidental thereto; hereinafter the same applies in this Article, the following Article and Article 19-3):

- (i) it is a corporation (including an association or foundation without legal personality for which a representative person or administrator has been designated and excluding a corporation established in compliance with laws and regulations of a foreign state and any other foreign associations; the same applies in item (iv), sub-item (d));
- (ii) it has not had a designation under the provisions of this paragraph rescinded pursuant to the provisions of Article 85-24, paragraph (1) of the Trust Business Act as applied mutatis mutandis pursuant to Article 12-4 on a day less than five years in the past, and has not had a designation under the provisions of another Act specified by Cabinet Order as pertaining to business equivalent to dispute resolution services rescinded on a day less than five years in the past;
- (iii) it is not a person that, having been sentenced to pay a fine (including a penalty under the law and regulations of a foreign state equivalent thereto) for violating the provisions of this Act, the Attorney Act (Act No. 205 of 1949) or a law or regulation of a foreign state equivalent thereto, finished serving the sentence or ceased to be subject to its enforcement on a day that is less than five years in the past;
- (iv) none of its officers fall under any of the following categories:
 - (a) an adult ward or a person under a conservatorship, or a person who is treated in the same manner under the laws and regulations of a foreign state;
 - (b) a bankrupt person whose rights have not been restored or a person who is treated in the same manner under laws and regulations of a foreign state;

- (c) a person who has been sentenced to imprisonment without work or a heavier sentence (including a sentence under the laws and regulations of a foreign state equivalent thereto), and who finished serving the sentence or ceased to be subject to its enforcement on a day that is less than five years in the past;
- (d) a person who was an officer of a corporation (including a person who is treated in the same manner under laws and regulations of a foreign state; the same applies in sub-item (d)) within the one month prior to the day of rescission, if the corporation has had its designation under this paragraph rescinded pursuant to the provisions of Article 85-24, paragraph (1) of the Trust Business Act as applied mutatis mutandis pursuant to Article 12-4 or if it has had an administrative disposition that is similar to such a designation and to which it was subject in a foreign state pursuant to the provisions of laws and regulations of a foreign state equivalent to this Act rescinded on a day that is less than five years in the past; or a person who was an officer of a corporation within the one month prior to the day of rescission, if the corporation has had a designation under the provisions of other Acts specified by Cabinet Order as being related to business equivalent to dispute resolution services or an administrative disposition that is similar to a designation as specified by Cabinet Order and to which it was subject in a foreign state pursuant to laws and regulations of a foreign state rescinded on a day that is less than five years in the past; or
- (e) a person who has been sentenced to a fine (including a sentence under laws and regulations of a foreign state equivalent thereto) for having violated the provisions of this Act, the Attorney Act, or laws and regulations of a foreign state equivalent thereto, and who finished serving the sentence or ceased to be subject to its enforcement on a day that is less than five years in the past;
- (v) it has sufficient accounting and technical foundations to properly implement dispute resolution services;
- (vi) there is no risk that the composition of officers or employees will hinder the fair implementation of dispute resolution services;
- (vii) the rules concerning the implementation of dispute resolution services (hereinafter referred to as "operational rules") conform to laws and regulations and are found to be sufficient to allow it to implement dispute resolution services fairly and properly, pursuant to the provisions of this Act; and
- (viii) as a result of its having held a hearing of opinions pursuant to the following paragraph, is that the number of financial institutions engaged in trust business that have stated objections (limited to those with reasonable reasons therefor) to the particulars concerning the cancellation of the basic

contract for the implementation of dispute resolution procedures (meaning a contract concluded between the designated dispute resolution organization (meaning the one designated pursuant to the provisions of this paragraph; the same applies in paragraph (5), the following Article and Article 12-4) and a financial institution engaged in trust business; hereinafter the same applies in this item and the following Article), other contents of the basic contract for the implementation of dispute resolution procedures (excluding the particulars set forth in the items of Article 85-7, paragraph (2) of the Trust Business Act as applied mutatis mutandis pursuant to Article 12-4), or the contents of other operational rules (excluding particulars which are to be the contents thereof pursuant to the provisions of Article 85-7, paragraph (3) of that Act and the particulars necessary to conform to the standards set forth in the items of Article 85-7, paragraph (4) and paragraph (5), item (i) of that Act) has come to account for a proportion of the total number of financial institutions engaged in trust business that falls below the proportion specified by Cabinet Order.

- (2) A person seeking to file an application as referred to in the preceding paragraph explain the substance of the operational rules to financial institutions engaged in trust business, hear opinions therefrom as to whether they have any objections thereto (and if there are objections, the reasons therefor), and prepare documents stating the results thereof, in advance and pursuant to the provisions of Cabinet Office Order.
- (3) Before seeking to make a designation under the provisions of paragraph (1), the Prime Minister must first consult with the Minister of Justice regarding the relevant person's meeting of the requirements set forth in items (v) through (vii) of that paragraph (limited to the portion related to the operation of dispute resolution procedures, and with regard to the requirement set forth in item (vii), limited to that related to the standards set forth in the items under Article 85-7, paragraphs (4) and (5) of the Trust Business Act as applied mutatis mutandis pursuant to Article 12-4).
- (4) The term "complaint related to specific concurrent business" as used in paragraph (1) means a complaint that is related to specific concurrent business (meaning the trust business provided in Article 2, paragraph (1) of the Trust Business Act conducted by a financial institution, business set forth in Article 1, paragraph (1), item (i) through (iii), and agency for trust agreements carried out by an agent for trust agreements as defined in Article 2, paragraph (9) of that Act on behalf of the financial institution; hereinafter the same applies in this paragraph) and the term "dispute related to specific concurrent business" means a dispute that is related to specific concurrent business and that the parties are able to settle.
- (5) Having made a designation under the provisions of paragraph (1), the Prime

Minister must issue public notice of the trade name or name and the location of the principal business office or office of the designated dispute resolution organization and of the day on which the Prime Minister made the designation.

(Operational Rules)

Article 12-3 A designated dispute resolution organization must establish the following particulars in its operational rules:

- (i) the particulars of the substance of the basic contract for the implementation of dispute resolution procedures;
- (ii) the particulars of the conclusion of the basic contract for the implementation of dispute resolution procedures;
- (iii) the particulars of the implementation of dispute resolution services;
- (iv) the particulars of charges to be borne by a member financial institution (meaning a financial institution engaged in trust business that is the counterparty to a basic contract for the implementation of dispute resolution procedures; the same applies in the following item) as regards the costs necessary for dispute resolution services;
- (v) if it will collect fees in connection with the implementation of dispute resolution services from a member financial institution that is a party to a dispute or from its customer, the particulars of those fees;
- (vi) the particulars of coordination with other designated dispute resolution organizations, national organizations, local governments, private-sector businesses, and any other person providing consultations, processing complaints, or implementing dispute resolution;
- (vii) the particulars of the processing of complaints concerning dispute resolution services; and
- (viii) beyond what is set forth in the preceding items, particulars specified by Cabinet Office Order as being necessary for the implementation of dispute resolution services.

(Application, Mutatis Mutandis, of the Trust Business Act)

Article 12-4 The provisions of Chapter V-2 of the Trust Business Act (excluding Article 85-2 and Article 85-7, paragraph (1)) apply mutatis mutandis to designated dispute resolution organizations. In such a case, the phrase "paragraph (1) of the preceding Article" in Article 85-3, paragraph (1) of that Act is deemed to be replaced with "Article 12-2, paragraph (1) of the Act on Engagement in Trust Business by Financial Institutions", the phrase "paragraph (1), items (iii) and (iv) of the preceding Article" in Article 85-3, paragraph (2), item (i) of the Trust Business Act is deemed to be replaced with "Article 12-2, paragraph (1), items (iii) and (iv) of the Act on Engagement in Trust Business by Financial Institutions", the phrase "paragraph (2) of the

preceding Article" in Article 85-3, paragraph (2), item (vi) of the Trust Business Act is deemed to be replaced with "Article 12-2, paragraph (2) of the Act on Engagement in Trust Business by Financial Institutions", the phrase "this Act" in Article 85-5, paragraph (1) of the Trust Business Act is deemed to be replaced with "the Act on Engagement in Trust Business by Financial Institutions", the phrase "other Acts" in Article 85-6 of the Trust Business Act is deemed to be replaced with "Acts other than the Act on Engagement in Trust Business by Financial Institutions", the phrase "item (i) of the preceding paragraph" in Article 85-7, paragraph (2) of the Trust Business Act is deemed to be replaced with "Article 12-3, item (i) of the Act on Engagement in Trust Business by Financial Institutions", the phrase "paragraph (1), item (ii)" in Article 85-7, paragraph (3) of the Trust Business Act is deemed to be replaced with "Article 12-3, item (ii) of the Act on Engagement in Trust Business by Financial Institutions", the phrase "paragraph (1), item (iii)" in Article 85-7, paragraph (4) of the Trust Business Act is deemed to be replaced with "Article 12-3, item (iii) of the Act on Engagement in Trust Business by Financial Institutions", the phrases "paragraph (1), items (iv) and (v)" and "item (v) of that paragraph" in Article 85-7, paragraph (5) of the Trust Business Act are deemed to be replaced with "Article 12-3, items (iv) and (v) of the Act on Engagement in Trust Business by Financial Institutions" and "item (v) of that Article" respectively, and the phrase "Article 85-2, paragraph (1)" in Article 85-14, paragraph (2) of the Trust Business Act is deemed to be replaced with "Article 12-2, paragraph (1) of the Act on Engagement in Trust Business by Financial Institutions", the phrases "the requirements set forth in Article 85-2, paragraph (1), items (v) through (vii) (" and "Article 85-2, paragraph (1), item (v)" in Article 85-22, paragraph (2), item (i) of the Trust Business Act are deemed to be replaced with "the requirements set forth in Article 12-2, paragraph (1), items (v) through (vii) of the Act on Engagement in Trust Business by Financial Institutions (" and "Article 12-2, paragraph (1), item (v) of that Act" respectively, the phrase "other Acts" in Article 85-23, paragraph (3) of the Trust Business Act is deemed to be replaced with "Acts other than the Act on Engagement in Trust Business by Financial Institutions", the phrase "Article 85-2, paragraph (1)" in Article 85-24, paragraph (1) of the Trust Business Act is deemed to be replaced with "Article 12-2, paragraph (1) of the Act on Engagement in Trust Business by Financial Institutions", the phrase "Article 85-2, paragraph (1), items (ii) through (vii)" in Article 85-24, paragraph (1), item (i) of the Trust Business Act is deemed to be replaced with "Article 12-2, paragraph (1), items (ii) through (vii) of the Act on Engagement in Trust Business by Financial Institutions", the phrase "Article 85-2, paragraph (1)" in Article 85-24, paragraph (1), item (ii) of the Trust Business Act is deemed to be replaced with "Article 12-2, paragraph (1) of the Act on

Engagement in Trust Business by Financial Institutions", the phrases "Article 85-2, paragraph (1), items (v) through (vii)" and "Article 85-2, paragraph (1)" in Article 85-24, paragraph (2), item (i) of the Trust Business Act are deemed to be replaced with "Article 12-2, paragraph (1), items (v) through (vii) of the Act on Engagement in Trust Business by Financial Institutions" and "Article 12-2, paragraph (1) of that Act" respectively, the phrase "Article 85-2, paragraph (1)" in Article 85-24, paragraphs (3) and (4) of the Trust Business Act is deemed to be replaced with "Article 12-2, paragraph (1) of the Act on Engagement in Trust Business by Financial Institutions", and any other necessary technical replacement of terms is specified by Cabinet Order.

Chapter V Miscellaneous Provisions

(Submission of Materials to the Minister of Finance)

Article 13 (1) When the Minister of Finance finds it necessary to do so, so that planning or policymaking can be undertaken for trust business systems in connection with the system for handling failed financial institutions and financial risk management under the minister's jurisdiction, the minister may request the Prime Minister to provide the necessary materials and an explanation thereof.

(2) When the Minister of Finance finds it particularly necessary to do so, so that planning or policymaking can be undertaken for trust business systems in connection with the system for handling failed financial institutions and financial risk management under the minister's jurisdiction, the minister, within the scope of that necessity, may request a financial institution engaged in trust business or any other persons concerned to provide materials or an explanation thereof or any other cooperation.

(Delegation of Authority)

Article 14 (1) The Prime Minister delegates the authority vested under this Act (excluding that specified by Cabinet Order) to the Commissioner of the Financial Services Agency.

(2) Pursuant to the provisions of Cabinet Order, the Commissioner of the Financial Services Agency may delegate part of the authority delegated pursuant to the preceding paragraph, to the Director-General of the Finance Bureau or to the Director-General of a Local Finance Branch Bureau.

(Delegation to Cabinet Office Order)

Article 15 Beyond as provided for in this Act, Cabinet Office Order prescribes the procedure for applying for the authorization under Article 1, paragraph (1) and other particulars that are necessary for implementing this Act.

Chapter VI Penal Provisions

Article 15-2 A person falling under any of the following items is subject to imprisonment for not more than three years or a fine of not more than three million yen, or both:

- (i) a person engaging in the conduct set forth in, Article 24, paragraph (1), item (i) of the Trust Business Act (excluding those pertaining to the acceptance of trust set forth in the items of Article 2, paragraph (3) of that Act), in violation of the provisions of that item as applied mutatis mutandis pursuant to Article 2, paragraph (1); or
- (ii) a person failing to submit a report under Article 27, paragraph (1) of the Trust Business Act as applied mutatis mutandis pursuant to Article 2, paragraph (1) (excluding those pertaining to the acceptance of trust set forth in the items of Article 2, paragraph (3) of that Act; hereinafter the same applies in this item) or submitting a false report.

Article 16 A person violating an order of suspension of trust business under the provisions of Article 9 or Article 10 is subject to imprisonment for not more than two years or a fine of not more than three million yen, or both.

Article 17 A person falling under any of the following items is subject to imprisonment for not more than one year or a fine of not more than three million yen, or both:

- (i) a person engaging in the conduct set forth in Article 24, paragraph (1), item (i) of the Trust Business Act (excluding those pertaining to the acceptance of trust set forth in the items of Article 2, paragraph (3) of that Act) as applied mutatis mutandis pursuant to Article 2, paragraph (1), in violation of the provisions of that item, or a person engaging in the conduct set forth in Article 24, paragraph (1), items (i), (iii), or (iv) of that Act as applied mutatis mutandis pursuant to Article 2, paragraph (1), in violation of the provisions of those items;
- (ii) a person failing to submit a report under Article 27, paragraph (1) of the Trust Business Act as applied mutatis mutandis pursuant to Article 2, paragraph (1) (excluding those pertaining to the acceptance of trust set forth in the items of Article 2, paragraph (3) of that Act; hereinafter the same applies in this item) or submitting a false report;
- (iii) a person violating the provisions of Article 29, paragraph (2) of the Trust Business Act as applied mutatis mutandis pursuant to Article 2, paragraph (1);
- (iv) a person failing to submit a report or materials under Article 42,

- paragraphs (1) through (3) of the Trust Business Act as applied mutatis mutandis pursuant to Article 2, paragraph (1) or submitting a false report or false materials;
- (v) a person failing to answer or giving a false answer to questions asked by the relevant officials under the provisions of Article 42, paragraphs (1) through (3) of the Trust Business Act as applied mutatis mutandis pursuant to Article 2, paragraph (1) or refusing, hindering, or avoiding inspection under those provisions;
 - (vi) a person failing to submit an interim business report or a business report under the provisions of Article 7, failing to state material particulars that are among the particulars required to be stated therein, or making a false statement regarding a material particular;
 - (vii) a person failing to give the public notice under Article 8, paragraph (3) or giving false public notice;
 - (viii) a person entering a false statement or record in the written application for designation under Article 85-3, paragraph (1) of the Trust Business Act as applied mutatis mutandis pursuant to Article 12-4 or in the documents or electronic or magnetic record to be attached thereto pursuant to Article 85-3, paragraph (2) of the Trust Business Act;
 - (ix) a person violating the provisions of Article 85-9 of the Trust Business Act as applied mutatis mutandis pursuant to Article 12-4;
 - (x) a person failing to submit the written reports under Article 85-20, paragraph (1) of the Trust Business Act as applied mutatis mutandis pursuant to Article 12-4 or submitting a written report containing false statements;
 - (xi) a person failing to make a report or submit materials under Article 85-21, paragraph (1) or (2) of the Trust Business Act as applied mutatis mutandis pursuant to Article 12-4 or making a false report or submitting false materials; a person failing to answer or giving a false answer to the questions asked by the relevant officials; or a person refusing, hindering, or avoiding an inspection under these provisions; or
 - (xii) a person violating an order under the provisions of Article 85-22, paragraph (1) of the Trust Business Act as applied mutatis mutandis pursuant to Article 12-4.

Article 18 A person falling under any of the following items is subject to imprisonment for not more than one year or a fine of not more than one million yen, or both:

- (i) a person that has commenced trust business in violation of Article 11, paragraph (5) of the Trust Business Act as applied mutatis mutandis pursuant to Article 2, paragraph (1);

- (ii) a person violating the provisions of Article 39, paragraph (2) (excluding item (ii)) of the Financial Instruments and Exchange Act as applied mutatis mutandis pursuant to Article 2-2;
- (iii) a person that has, in violation of Article 3, changed the contents or method of business without obtaining authorization; or
- (iv) a person that has divulged or used for the person's own interest a secret learned during the course of the person's duties in violation of Article 85-4, paragraph (1) of the Trust Business Act as applied mutatis mutandis pursuant to Article 12-4;

Article 18-2 (1) In the case referred to in item (ii) of the preceding Article, any economic benefit that an offender or a third party with knowledge of that circumstance gains is confiscated. If all or a part of this cannot be confiscated, an equivalent monetary value is collected.

(2) The provisions of Article 209-2 and 209-3, paragraph (2) of the Financial Instruments and Exchange Act apply mutatis mutandis to confiscation under the provisions of the preceding paragraph. In such a case, the phrases "Article 198-2, paragraph (1) or Article 200-2", "this Article, paragraph (1) of the following Article and Article 209-4, paragraph (1)", and "the following paragraph and paragraph (1) of the following Article" in Article 209-2, paragraph (1) of that Act are deemed to be replaced with "Article 18-2, paragraph (1) of the Act on Engagement in Trust Business by Financial Institutions", "this paragraph", and "the following paragraph", respectively, the phrase "mixed property (limited to property in which illegal property pertaining to the provisions of Article 200-2 is mixed)" in Article 209-2, paragraph (2) of that Act is deemed to be replaced with "mixed property", and the phrase "Article 198-2, paragraph (1) or Article 200-2" in Article 209-3, paragraph (2) of that Act is deemed to be replaced with "Article 18-2, paragraph (1) of the Act on Engagement in Trust Business by Financial Institutions".

Article 19 A person falling under any of the following items is subject to imprisonment for not more than six months or a fine of not more than 500,000 yen, or both:

- (i) a person failing to make a deposit with an official depository, in violation of the provisions of Article 11, paragraph (8) of the Trust Business Act as applied mutatis mutandis pursuant to Article 2, paragraph (1);
- (ii) a person failing to deliver the documents under Article 26, paragraph (1) of the Trust Business Act as applied mutatis mutandis pursuant to Article 2, paragraph (1) or delivering false documents;
- (iii) a person failing to deliver documents under Article 29, paragraph (3) of the

- Trust Business Act as applied mutatis mutandis pursuant to Article 2, paragraph (1) or delivering false documents;
- (iv) a person failing to indicate the particulars specified in Article 37, paragraph (1) (excluding item (ii)) of the Financial Instruments and Exchange Act as applied mutatis mutandis pursuant to Article 2-2 or making a false indication;
 - (v) a person violating the provisions of Article 37, paragraph (2) of the Financial Instruments and Exchange Act as applied mutatis mutandis pursuant to Article 2-2;
 - (vi) a person failing to deliver documents, delivering documents without stating the facts specified in Article 37-3, paragraph (1) of that Act, delivering documents containing false statements, or providing documents lacking the aforementioned facts or containing false facts using the method prescribed in Article 34-2, paragraph (4) of that Act as applied mutatis mutandis pursuant to Article 37-3, paragraph (2) of that Act, in violation of Article 37-3, paragraph (1) (excluding items (ii) through (iv) and (vi)) of the Financial Instruments and Exchange Act as applied mutatis mutandis pursuant to Article 2-2.

Article 19-2 A person failing to prepare or preserve the records under Article 85-11 or Article 85-13, paragraph (9) of the Trust Business Act as applied mutatis mutandis pursuant to Article 12-4 or preparing a false record is subject to a fine of not more than one million yen.

Article 19-3 A person suspending or terminating dispute resolution services in whole or in part without obtaining the authorization under Article 85-23, paragraph (1) of the Trust Business Act as applied mutatis mutandis pursuant to Article 12-4, is subject to a fine of not more than 500,000 yen.

Article 20 A person falling under any of the following items is subject to a fine of not more than 300,000 yen:

- (i) a person failing to file a notification under Article 8, paragraph (1), (2) or (4) or filing a false notification;
- (ii) a person failing to make a report under Article 85-8, paragraph (1) of the Trust Business Act as applied mutatis mutandis pursuant to Article 12-4, or making a false report;
- (iii) a person failing to file a notification under Article 85-18, paragraph (1) of the Trust Business Act as applied mutatis mutandis pursuant to Article 12-4, or filing a false notification;
- (iv) a person failing to file a notification under Article 85-19 of the Trust Business Act as applied mutatis mutandis pursuant to Article 12-4, or filing

- a false notification;
- (v) a person failing to file a notification under Article 85-23, paragraph (2) of the Trust Business Act as applied mutatis mutandis pursuant to Article 12-4, or filing a false notification;
- (vi) a person failing to notify the relevant person under Article 85-23, paragraph (3) of the Trust Business Act as applied mutatis mutandis pursuant to Article 12-4, or falsely notifying the relevant person;
- (vii) a person failing to notify the relevant person under Article 85-24, paragraph (3) of the Trust Business Act as applied mutatis mutandis pursuant to Article 12-4, or falsely notifying the relevant person.

Article 21 (1) If the representative of a corporation (including an association or foundation without legal personality for which a representative person or administrator has been designated; hereinafter the same applies in this paragraph) or the agent, employee, or other worker of a corporation or individual commits an act in violation of the provisions set forth in each of the following items in connection with the business or property of the corporation or individual, in addition to the offender being subject to punishment, the corporation is subject to the fine prescribed in the relevant item and the individual is subject to the fine referred to in the Article in question:

- (i) Article 15-2 or Article 16: a fine of not more than 300 million yen;
 - (ii) Article 17 (excluding item (ix)): a fine of not more than 200 million yen;
 - (iii) Article 18, item (ii): a fine of not more than 100 million yen; and
 - (iv) Article 17, item (ix), Article 18 (excluding item (ii)), or Article 19 through the preceding Article: the fine prescribed in the respective Articles.
- (2) If an organization that is not a corporation is to be sentenced pursuant to the preceding paragraph, beyond the representative person and administrator thereof representing the organization in procedural acts, the provisions on criminal proceedings for when a corporation is the defendant or a suspect apply mutatis mutandis.

Article 22 In a case falling under one of the following items, the officer, manager, counselor, or liquidator of a financial institution engaged in trust business is subject to a civil fine of not more than one million yen:

- (i) if the relevant person has concluded a trust agreement prescribed in Article 6 in violation of the Cabinet Office Order under that Article 6;
- (ii) if the relevant person has violated an order (excluding an order of suspension of trust business) of the Prime Minister under the provisions of Article 9; or
- (iii) if the relevant person has failed to manage trust property that the person is required to manage pursuant to the provisions of Article 34 of the Trust

Business Act.

Article 23 A person falling under any of the following items is subject to a civil fine of not more than one million yen:

- (i) a person failing to make a deposit with an official depository in violation of the order under Article 11, paragraph (4) of the Trust Business Act as applied mutatis mutandis pursuant to Article 2, paragraph (1);
- (ii) a person making major changes to, consolidating, or splitting a trust in violation of Article 29-2 of the Trust Business Act as applied mutatis mutandis pursuant to Article 2, paragraph (1); or
- (iii) a person violating the provisions of Article 85-16 of the Trust Business Act as applied mutatis mutandis pursuant to Article 12-4.

Article 24 A person violating the provisions of Article 85-17 of the Trust Business Act as applied mutatis mutandis pursuant to Article 12-4 is subject to a civil fine of not more than 100,000 yen.

Chapter VII Special Provisions on Procedures Concerning Confiscation

(Procedures for Confiscation of Third-Party Assets)

Article 25 (1) If a claim or other such asset (meaning an asset other than real property and movables; the same applies in the following Article and Article 27) that constitutes an asset to be confiscated pursuant to the provisions of Article 18-2, paragraph (1), belongs to a person other than the accused (hereinafter referred to as a "third party" in this Article), and the third party is not allowed to participate in the proceedings of the case under public prosecution, a judicial decision to confiscate it may not be made.

(2) The preceding paragraph also applies if the relevant party seeks to confiscate property on which a right of superficies, a mortgage, or any other third-party right exists pursuant to the provisions of Article 18-2, paragraph (1) and the third party is not allowed to participate in the proceedings of the case under public prosecution.

(3) The provisions of Article 209-4, paragraphs (3) through (5) of the Financial Instruments and Exchange Act apply mutatis mutandis if the relevant party confiscates property on which a right of superficies, a mortgage, or any other third-party right exists and the right is to be kept in existence pursuant to the provisions of Article 209-3, paragraph (2) of that Act as applied mutatis mutandis pursuant to Article 18-2, paragraph (2). In such a case, the phrase "paragraph (2) of the preceding Article" in Article 209-4, paragraphs (3) and (4) of that Act is deemed to be replaced with "paragraph (2) of the preceding Article as applied mutatis mutandis pursuant to Article 18-2, paragraph (2) of

the Act on Engagement in Trust Business by Financial Institutions".

(4) With regard to the procedures for the confiscation of property provided in paragraphs (1) and (2), beyond what is specially provided for in this Act, the provisions of the Act on Emergency Measures on Criminal Procedure to Confiscate Items Owned by Third Parties (Act No. 138 of 1963) apply *mutatis mutandis*.

(Disposition of a Confiscated Claims and Other Such Assets)

Article 26 The provisions of Article 209-5, paragraph (1) of the Financial Instruments and Exchange Act apply *mutatis mutandis* to a claim or other such asset that has been confiscated in connection with a crime set forth in Article 18, item (ii), the provisions of Article 209-5, paragraph (2) of that Act apply *mutatis mutandis* if a judicial decision to confiscate a claim that is to be confiscated in connection with a crime set forth in Article 18, item (ii) has become final and binding, and the provisions of Article 209-6 of that Act apply *mutatis mutandis* if the relevant organization is commissioned to register a transfer of rights based on a judicial decision to confiscate property that requires any transfer of rights to be registered, in connection with a crime set forth in Article 18, item (ii).

(Special Provisions on Compensation in Criminal Cases)

Article 27 The provisions of Article 4, paragraph (6) of the Criminal Case Compensation Act (Act No. 1 of 1950) apply *mutatis mutandis* to the substance of compensation under that Act to compensate for the relevant authority's confiscation of a claim or other such asset that is to be confiscated in connection with a crime set forth in Article 18, item (ii).