

Payment Services Act

(Act No. 59 of June 24, 2009)

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Chapter I General Provisions

(Purpose)

Article 1 The purpose of this Act is to enforce registration and provide other necessary measures with respect to the issuance of prepaid payment instruments, or exchange transactions carried out by persons other than deposit-taking institutions, exchange of crypto-assets, etc., and the clearing of exchange transactions between deposit-taking institutions, in order to ensure the appropriate provision of payment services, and protection of the users, etc. thereof, and to promote the provision of those services, thereby contributing to the improvement of the safety, efficiency, and convenience of the payment and settlement system.

(Definitions)

Article 2 (1) The term "issuer of prepaid payment instruments" as used in this Act means an issuer of prepaid payment instruments for its own business as prescribed in Article 3, paragraph (6) and an issuer of prepaid payment instruments for third-party business specified in Article 3, paragraph (7).

(2) The term "funds transfer services" as used in this Act means exchange transactions carried out by persons other than deposit-taking institutions in the course of trade.

(3) The term "funds transfer service provider" as used in this Act means a person who has been registered referred to in Article 37.

(4) The term "foreign funds transfer service provider" as used in this Act means a person who has been registered and carries out exchange transactions in the course of trade in a foreign country, whose registration type is same as the one referred to in Article 37 pursuant to the provisions of laws and regulations of that foreign state comparable to this Act (including permission or other administrative dispositions similar to that registration).

(5) The term "crypto-assets" as used in this Act means any of the following; provided, however, that those indicating electronically recorded transferable rights prescribed in Article 2, paragraph (3) of the Financial Instruments and Exchange Act (Act No. 25 of 1948) are excluded:

- (i) property value (limited to that which is recorded on an electronic device or any other object by electronic means, and excluding the Japanese currency, foreign currencies, and currency-denominated assets; the same applies in the following item) which can be used in relation to unspecified persons for the purpose of paying consideration for the purchase or leasing of goods or the receipt of provision of services and can also be purchased from and sold to unspecified persons acting as counterparties, and which can be transferred by means of an electronic data processing system; and
- (ii) property value which can be mutually exchanged with what is set forth in the preceding item with unspecified persons acting as counterparties, and which can be transferred by means of an electronic data processing system.

- (6) The term "currency-denominated assets" as used in this Act means assets which are denominated in the Japanese currency or a foreign currency, or for which performance of obligations, refund, or anything equivalent thereto (hereinafter referred to as "performance of obligations, etc." in this paragraph) is supposed to be made in the Japanese currency or a foreign currency. In this case, assets for which performance of obligations, etc. is supposed to be made by means of currency-denominated assets are deemed to be currency-denominated assets.
- (7) The term "crypto-asset exchange services" as used in this Act means carrying out any of the following acts in the course of trade, the term "exchange of crypto-assets, etc." as used in this Act means the acts set forth in items (i) and (ii), and the term "management of crypto-assets" as used in this Act means the act set forth in item (iv):
- (i) purchase and sale of a crypto-asset or exchange with another crypto-asset;
 - (ii) intermediary, brokerage or agency services for the act set forth in the preceding item;
 - (iii) management of users' money, carried out by persons in connection with their acts set forth in the preceding two items; and
 - (iv) management of crypto-assets on behalf of another person (excluding cases where the relevant management in the course of trade is governed by special provisions of other Acts).
- (8) The term "crypto-asset exchange service provider" as used in this Act means a person who has been registered referred to in Article 63-2.
- (9) The term "foreign crypto-asset exchange service provider" as used in this Act means a person who has been registered and carries out crypto-asset exchange services in the course of trade in a foreign country, whose registration type is same as the one referred to in Article 63-2, pursuant to the provisions of laws and regulations of that foreign state comparable to this Act (including permission or other administrative dispositions similar to that registration).
- (10) The term "clearing services for interbank funds transfer" as used in this Act means acts of bearing obligations under exchange transactions arising between deposit-taking institutions in the course of trade by way of the assumption of an obligation, novation or other means for the purpose of clearing claims and debts relating to the exchange transactions.
- (11) The term "clearing institution for interbank funds transfer" as used in this Act means a person who has obtained the license referred to in Article 64, paragraph (1).
- (12) The term "association for certified payment service providers" as used in this Act means a general incorporated association that has been certified pursuant to the provisions of Article 87.
- (13) The term "designated dispute resolution organization" as used in this Act

means a person who has been designated pursuant to the provisions of Article 99, paragraph (1).

- (14) The term "dispute resolution services" as used in this Act means services involved in complaint processing procedures (meaning procedures for processing complaints concerning funds transfer services or crypto-asset exchange services) and dispute resolution procedures (meaning procedures for resolving a dispute concerning funds transfer services or crypto-asset exchange services between parties who agree to seek a settlement without following litigation proceedings; hereinafter the same applies except in Article 100, paragraph (3)), as well as services incidental thereto.
- (15) The term "categories of dispute resolution services" as used in this Act means categories of funds transfer services related to dispute resolution services (meaning businesses involved in exchange transactions carried out by a funds transfer service provider; the same applies in Article 51-4, paragraph (1), item (i)) or crypto-asset exchange business (meaning businesses involved in any of the acts set forth in the items of paragraph (7) performed by a crypto-asset exchange service provider; the same applies in Article 63-12, paragraph (1), item (i)).
- (16) The term a "trust company, etc." as used in this Act means a trust company or a foreign trust company that has obtained a license referred to in Article 3 or Article 53, paragraph (1) of the Trust Business Act (Act No. 154 of 2004) or a financial institution that has obtained the authorization referred to in Article 1, paragraph (1) of the Act on Concurrent Operation of Trust Business by a Financial Institution (Act No. 43 of 1943).
- (17) The term "deposit-taking institutions" as used in this Act means any of the following persons:
- (i) a bank specified in Article 2, paragraph (1) of the Banking Act (Act No. 59 of 1981);
 - (ii) a long-term credit bank specified in Article 2 of the Long-Term Credit Bank Act (Act No. 187 of 1952);
 - (iii) a credit union;
 - (iv) a federation of shinkin banks;
 - (v) a labor bank;
 - (vi) a federation of labor banks;
 - (vii) a credit cooperative;
 - (viii) a federation of credit cooperatives that engages in the business referred to in Article 9-9, paragraph (1), item (i) of the Small and Medium Sized Enterprise Cooperatives Act (Act No. 181 of 1949);
 - (ix) an agricultural cooperative that engages in the business referred to in Article 10, paragraph (1), item (iii) of the Agricultural Cooperatives Act (Act No. 132 of 1947);

- (x) a federation of agricultural cooperatives that engages in the business referred to in Article 10, paragraph (1), item (iii) of the Agricultural Cooperatives Act;
 - (xi) a fisheries cooperative that engages in the business referred to in Article 11, paragraph (1), item (iv) of the Fisheries Cooperatives Act (Act No. 242 of 1948);
 - (xii) a federation of fisheries cooperatives that engages in the business referred to in Article 87, paragraph (1), item (iv) of the Fisheries Cooperatives Act;
 - (xiii) a fishery processing cooperative that engages in the business referred to in Article 93, paragraph (1), item (ii) of the Fisheries Cooperatives Act;
 - (xiv) a federation of fishery processing cooperatives that engages in the business referred to in Article 97, paragraph (1), item (ii) of the Fisheries Cooperatives Act;
 - (xv) the Norinchukin Bank; and
 - (xvi) the Shoko Chukin Bank Limited.
- (18) The term "petition for commencement of bankruptcy proceedings, etc." as used in this Act means a petition for commencement of bankruptcy proceedings, rehabilitation proceedings, reorganization proceedings or special liquidation, or a petition for recognition of foreign insolvency proceedings (including filing of a petition equivalent thereto under laws and regulations of a foreign state).
- (19) The term "Banking Act, etc." as used in this Act means any of the following: the Banking Act, the Long-Term Credit Bank Act, the Shinkin Bank Act (Act No. 238 of 1951), the Labor Bank Act (Act No. 227 of 1953), the Small and Medium Sized Enterprise Cooperatives Act, the Act on Financial Businesses by Cooperative (Act No. 183 of 1949), the Agricultural Cooperatives Act, the Fisheries Cooperatives Act, the Norinchukin Bank Act (Act No. 93 of 2001) and the Shoko Chukin Bank Limited Act (Act No. 74 of 2007).

Article 2-2 An act, which is entrusted by a person who has a monetary claim (hereinafter referred to as a "beneficiary" in this Article), acquisition of monetary claim from a beneficiary, or other method similar to these of receiving funds or having another person receive funds as performance from a debtor pertaining to the monetary claim or a person who makes a payment entrusted by that debtor (including those under multi-tier entrustment arrangements) or other method similar to this, thereby having those funds transferred to that beneficiary (excluding an act of transferring those funds by delivering them to that beneficiary), which satisfies the requirements specified by Cabinet Office Order, including that a beneficiary is an individual (excluding an individual in the case where the individual serves as a beneficiary as a business or for the purpose of business), is deemed to fall under the categories of exchange transactions.

Chapter II Prepaid Payment Instruments
Section 1 General Provisions

(Definitions)

Article 3 (1) The term "prepaid payment instruments" as used in this Chapter means any of the following instruments:

- (i) certificates, electronic devices, or other items (hereinafter referred to as "certificates, etc." in this Chapter) or numbers, markings, or other signs (including additions to the amount recorded in the certificate, etc. by electronic or magnetic means in exchange for the receipt of consideration equivalent to the additional amount recorded) issued in exchange for the receipt of consideration equivalent to the amount (if the amount is found each time to be converted to and indicated as an amount indicated in another unit, include the number of that unit; the same applies hereinafter in this item and in paragraph (3)) recorded in the certificate, etc. or recorded using electronic or magnetic means (meaning in electronic form, magnetic form, or any other form that is impossible to perceive by the human senses alone; the same applies hereinafter in this paragraph) which can be used for the purpose of paying consideration for the purchase or leasing of goods or the receipt of provision of services from the issuer or the person designated by the issuer (referred to as the "issuer, etc." in the following item) by way of presentation, delivery, notification, or other means;
 - (ii) certificates, etc. or numbers, markings, or other signs issued in exchange for the receipt of consideration equivalent to the quantity of goods or services recorded in the certificate, etc. or recorded using electronic or magnetic means (including additions to the quantity of goods or services recorded in the certificate, etc. by electronic or magnetic means in exchange for the receipt of consideration equivalent to the recorded additional quantity) which can be used for the purpose of claiming the delivery or provision of those goods or services from the issuer, etc. by way of presentation, delivery, notification, or other means.
- (2) The term "unused balance on the base date" as used in this Chapter means the amount calculated pursuant to the provisions of Cabinet Office Order as the total of the unused balances arising from all the prepaid payment instruments issued by an issuer thereof by March 31 and September 30 (hereinafter referred to as the "base date" in this Chapter) each year and outstanding as of the relevant base date (meaning the amount specified in each of the following items according to the categories of prepaid payment instruments set forth therein):
- (i) prepaid payment instruments specified in item (i) of the preceding

- paragraph: The amount that is available for the payment of consideration as of the base date; and
- (ii) prepaid payment instruments specified in item (ii) of the preceding paragraph: The monetary amounts obtained by converting the quantity of goods or services into the equivalent amounts that can be claimed as of the base date pursuant to the provisions of Cabinet Office Order.
- (3) The term "amount available for payment, etc." as used in this Chapter means the amount that is available for the payment of consideration at the time of issuance of the prepaid payment instruments specified in paragraph (1), item (i) or the quantity of goods or services that can be claimed at the time of issuance of the prepaid payment instruments specified in paragraph (1), item (ii).
- (4) The term "prepaid payment instruments for their own business" as used in this Chapter means prepaid payment instruments that can be used for the purpose of paying consideration for the purchase or leasing of goods or the receipt of provision of services only from the issuer of prepaid payment instruments (including persons who have a close relationship specified by Cabinet Office Order with the issuer (hereinafter referred to as "closely related persons" in item (v) of the following Article and Article 32); the same applies in this paragraph) or those prepaid payment instruments that can be used for the purpose of claiming the delivery or provision of those goods or services only from the issuer of prepaid payment instruments.
- (5) The term "prepaid payment instruments for third-party business" as used in this Chapter means prepaid payment instruments other than prepaid payment instruments for their own business.
- (6) The term an "issuer of prepaid payment instruments for its own business" as used in this Chapter means a person who has submitted the written notice specified in Article 5, paragraph (1) (excluding those who have submitted a written notice of discontinuation of the entire issuance business pursuant to the provisions of Article 33, paragraph (1) and have completed the refund specified in Article 20, paragraph (1)).
- (7) The term an "issuer of prepaid payment instruments for third-party business" as used in this Chapter means a corporation that has been registered referred to in Article 7.
- (8) The term "record period" as used in this Chapter means a period from the day following the base date to the next base date.

(Exclusion from Application)

Article 4 The provisions of this Chapter do not apply to the following prepaid payment instruments:

- (i) passenger tickets, admission tickets, and those similar thereto specified by

- Cabinet Order;
- (ii) prepaid payment instruments that can be used only during a certain period from the date of issuance specified by Cabinet Order;
 - (iii) prepaid payment instruments issued by the State or local governments (hereinafter referred to as the "State, etc." in the following item);
 - (iv) prepaid payment instruments issued by corporations specified by Cabinet Order as being equivalent to the State, etc., including corporations that have been established directly pursuant to the Act, corporations established by a special act of incorporation pursuant to the special Act, or corporations established by a local government pursuant to the special Act that are wholly owned by the State, etc.;
 - (v) prepaid payment instruments for their own business issued only to the employees of the issuer (including closely related persons) (limited to those to be used only by those employees) and other prepaid payment instruments specified by Cabinet Order as being similar thereto;
 - (vi) prepaid payment instruments specified by Cabinet Order as those pertaining to transactions that are subject to measures to protect advances pursuant to the provisions of the Installment Sales Act (Act No. 159 of 1961) and other Acts; and
 - (vii) prepaid payment instruments that are intended to be used only in a transaction that constitutes a commercial transaction for the users of prepaid payment instruments.

Section 2 Issuer of Prepaid Payment Instruments for Its Own Business

(Notification of Issuer of Prepaid Payment Instruments for Its Own Business)

Article 5 (1) A corporation (including an association or foundation without juridical personality for which the representative person or administrator has been designated) or an individual who issues prepaid payment instruments which are all prepaid payment instruments for their own business must, pursuant to the provisions of Cabinet Office Order, submit a written notice containing the following particulars to the prime minister when the unused balance on the base date of its prepaid payment instruments for their own business as of the base date has exceeded the standard amount (meaning the standard amount specified in Article 14, paragraph (1)) for the first time since the corporation commenced to issue prepaid payment instruments for their own business. The same applies to cases in which the corporation restarted to issue prepaid payment instruments for their own business after discontinuing the whole of the business of issuing prepaid payment instruments for their own business:

- (i) name, trade name or other name and address;

- (ii) in cases of a corporation, the amount of capital or contribution;
 - (iii) name and location of the business office or office for the business of issuing prepaid payment instruments;
 - (iv) in cases of a corporation (including an association or foundation without juridical personality for which the representative person or administrator has been designated), name of the representative person or administrator;
 - (v) unused balance on the base date as of the relevant base date;
 - (vi) the type, the name, and the amount available for payment, etc. of the prepaid payment instruments;
 - (vii) if a specified period of time which is available for the purpose of paying consideration for the purchase or renting of goods or the receipt of services being provided or for the purpose of claiming the delivery or provision of the goods or services, or the expiry date is set for the prepaid payment instruments, the period of time or due date;
 - (viii) content and means of the business of issuing prepaid payment instruments;
 - (ix) if a part of the business of issuing prepaid payment instruments is entrusted to a third party, the details of the business pertaining to the entrustment, the name or trade name or other name and address of the third party to whom the business of issuing prepaid payment instruments is entrusted;
 - (x) location and contact address of the business office or office that handles complaints from the users about the issuance and use of prepaid payment instruments or provide consultations for the users; and
 - (xi) other particulars specified by Cabinet Office Order.
- (2) Documents concerning finance and other documents specified by Cabinet Office Order must be attached to the written notice referred to in the preceding paragraph.
- (3) When any of the particulars set forth in the items of paragraph (1) (excluding item (v)) are changed, the issuer of prepaid payment instruments for its own business must notify the prime minister to that effect without delay.

(Register of Issuers of Prepaid Payment Instruments for Its Own Business)

Article 6 The prime minister must create a register of issuers of prepaid payment instruments for its own business and make it available for public inspection.

Section 3 Issuer of Prepaid Payment Instruments for Third-Party Business

(Registration of Issuer of Prepaid Payment Instruments for Third-Party

Business)

Article 7 No person may engage in the business of issuing prepaid payment instruments for third-party business unless the person is a corporation who has been registered by the prime minister.

(Application for Registration)

Article 8 (1) A person who intends to obtain registration referred to in the preceding Article must, pursuant to the provisions of Cabinet Office Order, submit a written application for registration containing the following particulars to the prime minister:

- (i) trade name or other name, and address;
- (ii) the amount of capital or contribution;
- (iii) name and location of the business office or office pertaining to the business of issuing prepaid payment instruments;
- (iv) names of officers;
- (v) the type, the name, and the amount available for payment, etc. of the prepaid payment instruments;
- (vi) if a specified period of time which is available for the purpose of paying consideration for the purchase or renting of goods or the receipt of the service being provided or for the purpose of claiming the delivery or provision of those goods or services, or the expiry date is set for the prepaid payment instruments, the period of time or due date;
- (vii) the details and means of the business of issuing prepaid payment instruments;
- (viii) if a part of the business of issuing prepaid payment instruments is entrusted to a third party, the details of the business pertaining to the entrustment, the name or trade name or other name and address of the third party to whom the business of issuing prepaid payment instruments is entrusted;
- (ix) location and contact address of the business office or office that handles complaints from the users about the issuance and use of prepaid payment instruments or provide consultations for the users; and
- (x) other particulars specified by Cabinet Office Order.

(2) A document in which the applicant pledges not to fall under any of the items of Article 10, paragraph (1), documents concerning finance, and other documents specified by Cabinet Office Order must be attached to the application for registration referred to in the preceding paragraph.

(Register of Issuers of Prepaid Payment Instruments for Third-Party Business)

Article 9 (1) The prime minister must, when an application for registration referred to in Article 7 is filed, register the following particulars to the register

of issuers of prepaid payment instruments for third-party business, except when the minister refuses the registration pursuant to the provisions of paragraph (1) of the following Article:

- (i) particulars listed in the items of paragraph (1) of the preceding Article; and
 - (ii) date of registration and registration number.
- (2) If the prime minister registers the particulars under the provisions of the preceding paragraph, the minister must notify the applicant to that effect without delay.
- (3) The prime minister must make the register of issuers of prepaid payment instruments for third-party business available for public inspection.

(Refusal of Registration)

Article 10 (1) The prime minister must refuse registration when an applicant falls under any of the following items, or a written application for registration or its accompanying documents contain a false statement about important particulars, or lack a statement about important particulars:

- (i) a person other than a corporation (including a corporation established under the laws and regulations of a foreign state who does not have a business office or office in Japan);
- (ii) a corporation that does not fall under any of the following items:
 - (a) a corporation whose amount of net assets exceeds the amount of money specified by Cabinet Order in light of the geographical scope within which the prepaid payment instruments issued by the corporation can be used and other circumstances; or
 - (b) a not-for-profit corporation specified by Cabinet Order;
- (iii) a corporation which has not taken necessary measures for ensuring that goods or services that one can purchase or rent, or which one can receive the delivery or provision of by using prepaid payment instruments do not cause harm to or are not likely to cause harm to public order or morals;
- (iv) a corporation which has not established a system that is necessary for making payments to member shops (meaning a seller or lender of goods that one can purchase or rent or of which one can receive the delivery of by using prepaid payment instruments or a provider of services of which one can receive the provision of by using prepaid payment instruments; the same applies in Article 32) appropriately;
- (v) a corporation which has not established a system that is necessary for ensuring compliance with the provisions of this Chapter;
- (vi) a corporation which intends to use a trade name or other name that is identical to the one currently being used by another issuer of prepaid payment instruments for third-party business or that may be misidentified as another issuer of prepaid payment instruments for third-party business;

- (vii) a corporation whose registration referred to in Article 7 has been revoked pursuant to the provisions of Article 27, paragraph (1) or (2), or had its registration of the same type in a foreign state (including permission or other administrative dispositions similar to the registration; the same applies in item (ix), (e)) revoked pursuant to the provisions of laws and regulations of the foreign state equivalent to this Act (limited to the provisions of this Chapter and the provisions of Chapter VIII that are related thereto; hereinafter the same applies in this paragraph), and for which three years have not passed from the date of revocation;
- (viii) a corporation which has been punished by a fine (including a punishment under laws and regulations of a foreign state equivalent to this; the same applies in (d) of the following item) pursuant to the provisions of this Act or laws and regulations of a foreign state equivalent to this Act, and for which three years have not elapsed from the day on which the execution of the sentence ended or from the day on which the sentence ceased to be executed;
- (ix) a corporation whose officers include a person who falls under any of the following items:
 - (a) a person specified by Cabinet Office Order as being unable to properly perform their duties pertaining to the business of issuing prepaid payment instruments due to a mental or physical disorder;
 - (b) a person who has not had their rights restored after receiving an order to commence bankruptcy proceedings, or a person equivalent thereto pursuant to laws and regulations of a foreign state;
 - (c) a person who has been sentenced to imprisonment or heavier punishment (including an equivalent punishment pursuant to laws and regulations of a foreign state), and for whom three years have not elapsed from the day on which the execution of the sentence ended or from the day on which the sentence ceased to be executed;
 - (d) a person who has been punished by a fine pursuant to the provisions of this Act or laws and regulations of a foreign state equivalent to this Act, and for whom three years have not elapsed from the day on which the execution of the sentence ended or from the day on which the sentence ceased to be executed;
 - (e) if an issuer of prepaid payment instruments for third-party business had its registration referred to in Article 7 revoked pursuant to the provisions of Article 27, paragraph (1) or (2), or a corporation had its registration of the same type in a foreign state revoked pursuant to the provisions of laws and regulations of the foreign state equivalent to this Act, a person who was an officer of the corporation at any time during the thirty days prior to the revocation date and for whom three years have not passed from that date or a person specified by Cabinet Order as a person similar thereto.

- (2) If the prime minister refuses the registration pursuant to the provisions of the preceding paragraph, the minister must notify the applicant to that effect by indicating the reason therefor without delay.

(Notification of Changes)

Article 11 (1) If any of the particulars set forth in the items of Article 8, paragraph (1) are changed, the issuer of prepaid payment instruments for third-party business must notify the prime minister to that effect without delay.

- (2) If the prime minister accepts a notification referred to in the preceding paragraph, the minister must register the informed particulars in the register of issuers of prepaid payment instruments for third-party business.

(Prohibition of Name Lending)

Article 12 An issuer of prepaid payment instruments for third-party business must not have another person conduct the business of issuing prepaid payment instruments for third-party business in the name of the issuer of prepaid payment instruments for third-party business.

Section 4 Business

(Measures for Protecting Users)

Article 13 (1) When issuing prepaid payment instruments, an issuer of prepaid payment instruments must, pursuant to the provisions of Cabinet Office Order, provide users with information on the following particulars:

- (i) name, trade name or other name;
 - (ii) amount available for payment, etc. of the prepaid payment instruments;
 - (iii) if a specified period of time which is available for the purpose of paying consideration for the purchase or renting of goods or the receipt of services being provided or for the purpose of claiming the delivery or provision of those goods or services, or the due date is set for the prepaid payment instruments, the period of time or due date;
 - (iv) location and contact address of the business office or office that handles complaints from the users about the issuance and use of prepaid payment instruments or provide consultations for the users; and
 - (v) other particulars specified by Cabinet Office Order.
- (2) Notwithstanding the provisions of the preceding paragraph, if the association for certified payment service providers of which the issuer of prepaid payment instruments is a member makes public to the users of prepaid payment instruments the particulars listed in item (iv) of the preceding paragraph pertaining to the issuer of prepaid payment instruments or in other cases

specified by Cabinet Office Order, the issuer of prepaid payment instruments is not required to provide information as prescribed in that paragraph with regard to those particulars.

- (3) Beyond what is provided for in paragraph (1), an issuer of prepaid payment instruments must, pursuant to the provisions of Cabinet Office Order, take necessary measures for protecting the users of prepaid payment instruments and ensuring sound and appropriate management of business of issuing prepaid payment instruments.

(Making Security Deposits for Issuance)

Article 14 (1) If the unused balance on the base date exceeds the amount specified by Cabinet Order (hereinafter referred to as the "standard amount" in this Chapter), an issuer of prepaid payment instruments must, pursuant to the provisions of Cabinet Office Order, make security deposits for issuance to the official depository nearest to its principal business office or office in an amount equivalent to not less than half the amount of the unused balance on the base date (hereinafter referred to as the "amount required for deposit" in this Chapter).

- (2) If, due to completion of the procedure for the fulfillment of the right prescribed in Article 31, paragraph (1) or the occurrence of other facts, the amount of security deposits for issuance (including the total amount of the secured amount prescribed in the following Article and the amount of trust property prescribed in Article 16, paragraph (1); the same applies in Article 18, item (ii) and Article 23, paragraph (1), item (iii)) is less than the amount required for deposit as of the base date immediately preceding the day on which those issues occurred (or the amount calculated as if the Prepaid Payment Instruments pertaining to those procedures did not exist in accordance with the method specified by Cabinet Office Order as of the base date immediately preceding the day on which the refund procedure prescribed in Article 20, paragraph (1) or the procedure for the fulfillment of the right prescribed in Article 31, paragraph (1) was completed), an issuer of prepaid payment instruments must, pursuant to the provisions of Cabinet Office Order, deposit the shortage and notify the prime minister to that effect without delay.

- (3) Security deposits for issuance may be paid in national government bond certificates, local government bond certificates or other bond certificates specified by Cabinet Office Order (including book-entry transfer bonds specified in Article 278, paragraph (1) of the Act on Book-Entry Transfer of Corporate Bonds and Shares (Act No. 75 of 2001); the same applies in Article 16, paragraph (3)). In this case, the appraised value of those bond certificates is determined pursuant to the provisions of Cabinet Office Order.

(Guarantee Contracts for Security Deposits for Issuance)

Article 15 If an issuer of prepaid payment instruments has concluded a guarantee contract for security deposits for issuance (meaning a contract in which a deposit-taking institution satisfying the requirements specified by Cabinet Order or any other person specified by Cabinet Order promises that security deposits for issuance will be made on behalf of the issuer of prepaid payment instruments in response to an order by the prime minister; the same applies in this Chapter) and has notified the minister to that effect, pursuant to the provisions of Cabinet Order, it may choose not to deposit all or part of the security deposits for issuance with regard to the secured amount (meaning the amount of money to be deposited under the guarantee contract for security deposits for issuance; the same applies in Article 17) limited to the period during which the contract remains in force.

(Trust Agreements for Security Deposits for Issuance)

- Article 16 (1) If an issuer of prepaid payment instruments concludes a trust agreement of security deposits for issuance with a trust company, etc. (meaning a trust agreement whose purpose is to apply the trust property to assign security deposits for issuance in response to an order by the prime minister and the provisions which prescribe that the trust company, etc. is to carry out necessary acts including the management of the trust property for the achievement of the purpose; the same applies hereinafter in this Chapter) and notifies the minister to that effect, it may choose not to deposit all or part of the security deposits for issuance with regard to the amount of the trust property, for the period during which the trust property is entrusted based on the trust agreement for security deposits for issuance.
- (2) A trust agreement for security deposits for issuance must prescribe the following particulars:
- (i) the beneficiaries of the trust agreement for security deposits for issuance must be the holders of prepaid payment instruments issued by the issuer of prepaid payment instruments who is the party to the trust agreement for security deposits for issuance;
 - (ii) an agent of the beneficiaries must be appointed;
 - (iii) a trust company, etc. must realize the trust property and deposit the proceeds thereof in response to an order by the prime minister; and
 - (iv) other particulars specified by Cabinet Office Order.
- (3) The types of trust properties to be entrusted pursuant to a trust agreement for security deposits for issuance are limited to money, bank deposits and savings (limited to those specified by Cabinet Office Order), or national government bond certificates, local government bond certificates or other bond certificates specified by Cabinet Office Order. In this case, the appraised value

of those bond certificates is determined pursuant to the provisions of Cabinet Office Order.

(Deposit Orders)

Article 17 If the prime minister finds it necessary for the protection of the interests of users of prepaid payment instruments, the minister may order an issuer of prepaid payment instruments who has concluded a guarantee contract for security deposits for issuance or a trust agreement for security deposits for issuance or the counterparty thereto to deposit all or part of the secured amount or the amount of proceeds from the trust property that have been realized.

(Recovery of Security Deposits for Issuance)

Article 18 All or part of the security deposits for issuance may be recovered, pursuant to the provisions of Cabinet Order, if the user falls under any of the following items:

- (i) if the unused balance on the base date is not more than the standard amount;
- (ii) if the amount of the security deposits for issuance exceeds the amount required for deposit;
- (iii) if the procedure for the fulfillment of the right referred to in Article 31, paragraph (1) has been completed; and
- (iv) beyond what is set forth in the preceding three items, the cases specified by Cabinet Order, as the cases in which the interests of users of prepaid payment instruments are adequately protected.

(Change of Official Depository for Security Deposits for Issuance and Other Procedures)

Article 19 Beyond what is provided for in this Section, a change of the official depository for security deposits for issuance due to a change in the location of the principal business office or office of an issuer of prepaid payment instruments and other particulars necessary for the making of security deposits for issuance is prescribed by Cabinet Office Order and Ministry of Justice Order.

(Refunding Prepaid Payment Instruments to Holders' Accounts)

Article 20 (1) If an issuer of prepaid payment instruments falls under any of the following items, the issuer must refund the outstanding balance of those prepaid payment instruments specified by Cabinet Office Order to the holder's account:

- (i) if the issuer of prepaid payment instruments discontinues all or part of the

- business of issuing prepaid payment instruments (excluding cases where the business has been handed over to the successor due to inheritance, transfer of business, a merger or company split, or for other reasons);
- (ii) if the issuer of prepaid payment instruments is the issuer of prepaid payment instruments for third-party business, when it has had its registration referred to in Article 7 revoked pursuant to the provisions of Article 27, paragraph (1) or (2); or
 - (iii) other cases specified by Cabinet Office Order.
- (2) If an issuer of prepaid payment instruments intends to refund the amount pursuant to the provisions of the preceding paragraph, the issuer must give public notice of the following particulars and provide the information concerning those particulars to the holders of the prepaid payment instruments subject to the refund, pursuant to the provisions of Cabinet Office Order:
- (i) a statement to the effect that the amount will be refunded;
 - (ii) a statement to the effect that the holders of the prepaid payment instruments subject to the refund must file a request for claims within a certain period of not less than sixty days;
 - (iii) a statement to the effect that the holders of the prepaid payment instruments who fail to file a request for claims within the period referred to in the preceding item must be excluded from the procedure for the refund; and
 - (iv) other particulars specified by Cabinet Office Order.
- (3) The provisions of Article 940, paragraph (1) (limited to the part pertaining to item (iii)) and Article 940, paragraph (3) of the Companies Act (Act No. 86 of 2005) apply mutatis mutandis to cases where an issuer of prepaid payment instruments (limited to companies) gives public notice under the preceding paragraph by way of electronic public notice (meaning electronic public notice specified in Article 2, item (xxxiv) of that Act; the same applies in the following paragraph). In this case, any necessary technical replacement of terms is specified by Cabinet Order.
- (4) The provisions of Article 940, paragraph (1) (limited to the part pertaining to item (iii)) and Article 940, paragraph (3), Article 941, Article 946, Article 947, Article 951, paragraph (2), Article 953, and Article 955 of the Companies Act apply mutatis mutandis to cases where an issuer of prepaid payment instruments (limited to foreign companies) gives public notice under paragraph (2) by way of electronic public notice. In this case, any necessary technical replacement of terms is specified by Cabinet Order.
- (5) An issuer of prepaid payment instruments must not refund any amount with regard to the prepaid payment instruments that it issues to the holders thereof except in cases set forth in the items of paragraph (1); provided, however, that this does not apply to cases where the amount to be refunded is small or other

cases where the sound management of the business of issuing prepaid payment instruments is not hindered, as specified by Cabinet Office Order.

(Management of Information Security)

Article 21 An issuer of prepaid payment instruments must, pursuant to the provisions of Cabinet Office Order, take measures necessary for preventing leakage, loss, or damage to information pertaining to the business of issuing prepaid payment instruments and other measures for ensuring security management of the relevant information.

(Management of Entrusted Parties)

Article 21-2 If an issuer of prepaid payment instruments entrusts (including those under multi-tier entrustment arrangements) part of the business of issuing prepaid payment instruments to a third party, the issuer of prepaid payment instruments must, pursuant to the provisions of Cabinet Office Order, provide guidance to the third party to whom the relevant business has been entrusted and take other measures necessary for ensuring the proper and steady operation of the business.

(Complaint Processing Measures)

Article 21-3 An issuer of prepaid payment instruments must take measures necessary to appropriately and promptly process complaints from the users about the issuance and use of prepaid payment instruments in an appropriate and prompt manner.

Section 5 Supervision

(Books and Documents)

Article 22 An issuer of prepaid payment instruments must, pursuant to the provisions of Cabinet Office Order, prepare and maintain the books of accounts and documents on its business of issuing prepaid payment instruments.

(Written Reports)

Article 23 (1) An issuer of prepaid payment instruments must, pursuant to the provisions of Cabinet Office Order, prepare a written report on the business of issuing prepaid payment instruments containing the following particulars as of the each base date, and submit it to the prime minister:

- (i) the amount of prepaid payment instruments issued during the record period including the relevant base date;
- (ii) the unused balance on the base date of prepaid payment instruments as of the relevant base date;

- (iii) the amount of the security deposits for issuance pertaining to the unused balance on the base date; and
 - (iv) other particulars specified by Cabinet Office Order.
- (2) Documents concerning finance and other documents specified by Cabinet Office Order must be attached to the written report referred to in the preceding paragraph.
- (3) In the case of issuers of prepaid payment instruments for its own business, the provisions of paragraph (1) do not apply to Base Dates falling within a period from the day immediately following the Base Date on which the Unused Base Date Balance decreased to the standard amount to the day immediately preceding the subsequent Base Date on which the Unused Base Date Balance again exceeded the Standard Amount.

(On-Site Inspections)

- Article 24 (1) If the prime minister finds it necessary for ensuring sound and appropriate management of the business of issuing prepaid payment instruments of an issuer of prepaid payment instruments, the minister may order the issuer of prepaid payment instruments to submit reports or materials that can be used as reference for its business or property, or have officials enter the business office, office or other establishment of that issuer of prepaid payment instruments, ask questions about the status of its business or property or inspect its books and documents or other items.
- (2) When the prime minister finds it particularly necessary for ensuring sound and appropriate management of the business of issuing prepaid payment instruments of an issuer of prepaid payment instruments, the minister may order a person to whom business has been entrusted by the issuer of prepaid payment instruments (including persons to whom the business has been entrusted by the entrusted person (including those under multi-tier entrustment arrangements); hereinafter the same applies in this Article and Article 32) to submit reports or materials that can be used as reference for the business or property of the issuer of prepaid payment instruments, or have officials enter the business office, office or other establishment of a person to whom business has been entrusted by the issuer of prepaid payment instruments, ask questions about the status of its business or property of the issuer of prepaid payment instruments or inspect its books and documents or other items, to the extent necessary for the minister.
- (3) A person to whom business has been entrusted by an issuer of prepaid payment instruments referred to in the preceding paragraph may, if there are reasonable grounds, refuse to submit reports or materials, or to respond to the inquiry or the inspection under the provisions of that paragraph.

(Order to Improve Business Operations)

Article 25 If the prime minister finds it necessary for ensuring the sound and appropriate management of the business of issuing repaid payment instruments of an issuer of prepaid payment instruments, the minister may order that an issuer of prepaid payment instruments to take measures necessary to improve the operation of its business or its financial status or other measures necessary for the supervision, to the extent necessary for the minister.

(Order to Suspend Business Given to Issuers of Prepaid Payment Instruments for Its Own Business)

Article 26 If an issuer of prepaid payment instruments for its own business falls under any of the following items, the prime minister may order the issuer of prepaid payment instruments for their own business to suspend all or part of its business of issuing prepaid payment instruments, by setting a period for suspension not exceeding six months:

- (i) the issuer of prepaid payment instruments for their own business violates this Act or an order under this Act, or a disposition based this Act or an order; or
- (ii) if the right specified in Article 31, paragraph (1) pertaining to the prepaid payment instruments issued by the issuer of prepaid payment instruments for their own business is likely to be fulfilled, when the prime minister finds it necessary to prevent the spread of damage to the users of those prepaid payment instruments.

(Revocation of Registration of Issuers of Prepaid Payment Instruments for Third-Party Business)

Article 27 (1) If an issuer of prepaid payment instruments for third-party business falls under any of the following items, the prime minister may revoke its registration referred to in Article 7 or order the issuer of prepaid payment instruments for third-party business to suspend all or part of its business of issuing prepaid payment instruments for third-party business, by setting a period for suspension not exceeding six months:

- (i) the issuer of prepaid payment instruments for third-party business falls under any of the items of Article 10, paragraph (1);
- (ii) the issuer of prepaid payment instruments for third-party business is registered referred to in Article 7 through wrongful means;
- (iii) the issuer of prepaid payment instruments for third-party business violates this Act or an order under this Act, or a disposition based on this Act or an order; or
- (iv) if the right specified in Article 31, paragraph (1) pertaining to the prepaid

payment instruments issued by the third-party issuer is likely to be fulfilled, when the prime minister finds it necessary to prevent the spread of damage to the users of those prepaid payment instruments.

- (2) If the prime minister is not able to confirm the locations of business offices or offices of an issuer of prepaid payment instruments for third-party business or the whereabouts of the officer representing the issuer of prepaid payment instruments for third-party, the minister may give a public notice to that effect pursuant to the provisions of Cabinet Office Order and may revoke the registration of the issuer of prepaid payment instruments for third-party business referred to in Article 7 if it fails to report within thirty days from the issuance date of the public notice.
- (3) The provisions of Chapter III of the Administrative Procedure Act (Act No. 88 of 1993) do not apply to a disposition referred to in the preceding paragraph.

(Deletion of Registration)

Article 28 If the prime minister has revoked the registration referred to in Article 7 pursuant to provisions of paragraph (1) or (2) of the preceding Article or when the registration referred to in Article 7 has ceased to be effective pursuant to the provisions of Article 33, paragraph (2), the minister must delete that registration.

(Public Notice of Supervisory Dispositions)

Article 29 If the prime minister implements a disposition pursuant to the provisions of Article 26, or Article 27, paragraph (1) or (2), the minister must give public notice to that effect pursuant to the provisions of Cabinet Office Order.

Section 6 Miscellaneous Provisions

(Special Provisions for Base Date)

- Article 29-2 (1) If an issuer of prepaid payment instruments, pursuant to the provisions of Cabinet Office Order, submits a written notice containing a statement that the issuer seeks the application of the provisions of this paragraph to the issuer and other particulars specified by Cabinet Office Order to the prime minister, with regard to the application of the provisions of Article 3, paragraph (2) to the issuer of prepaid payment instruments after the submission date of the written notice, the provisions of this Chapter are applied to the person by replacing the phrase "and September 30" in Article 3, paragraph (2) with ", June 30, September 30, and December 31". In this case, any necessary technical replacement of terms is specified by Cabinet Order.
- (2) If an issuer of prepaid payment instruments to whom the provisions of the

preceding paragraph are applied, pursuant to the provisions of Cabinet Office Order, submits a written notice containing a statement that the issuer no longer seeks the application of the provisions of that paragraph to the issuer and other particulars specified by Cabinet Office Order to the prime minister, the provisions of the preceding paragraph do not apply to the issuer after the submission date of the written notice (if the record period including the submission date falls within the period from the day following the special base date (meaning June 31 and December 31 of each year) to the next ordinary base date (meaning March 31 and September 30 of each year; hereinafter the same applies in this paragraph)); provided, however, that this does not apply if the issuer of prepaid payment instruments submits another written notice referred to in that paragraph after the submission date.

- (3) An issuer of prepaid payment instruments to whom the provisions of paragraph (1) are applied may submit a written notice referred to in the main clause of the preceding paragraph only on or after the day on which a period specified by Cabinet Order has passed from the submission date of a written notice referred to in paragraph (1).
- (4) An issuer of prepaid payment instruments who has submitted a written notice referred to in the main clause of paragraph (2) may submit a written notice referred to in paragraph (1) only on or after the day on which a period specified by Cabinet Order has passed from the submission date of a written notice referred to in the main clause of paragraph (2).

(Special Provisions Pertaining to Succession of Business of Issuing Prepaid Payment Instruments for Their Own Business)

Article 30 (1) If a person other than an issuer of prepaid payment instruments has succeeded to the business of issuing prepaid payment instruments for its own business from an issuer of prepaid payment instruments by way of inheritance, transfer of business, merger or company split, or for other reasons (excluding cases where the person has succeeded to the business of issuing prepaid payment instruments for third-party business), if the unused balance on the base date on the base date immediately preceding the date of succession of prepaid payment instruments for their own business pertaining to the succession of the business exceeded the standard amount, the person other than an issuer of prepaid payment instruments is deemed to be an issuer of prepaid payment instruments for their own business who has issued the prepaid payment instruments for its own business, and the provisions of this Act (excluding Article 5) applies to that person.

- (2) A person who is deemed to be an issuer of prepaid payment instruments for its own business pursuant to the provisions of the preceding paragraph must submit a written notice containing the following particulars to the prime

minister without delay, pursuant to the provisions of Cabinet Office Order:

- (i) a statement that the person has succeeded the business of issuing prepaid payment instruments for their own business;
 - (ii) particulars listed in Article 5, paragraph (1), items (i) through (iv);
 - (iii) the unused balance on the base date on the base date immediately preceding the date of succession of prepaid payment instruments for their own business; and
 - (iv) particulars listed in Article 5, paragraph (1), items (vi) through (xi) pertaining to the succeeded prepaid payment instruments for their own business.
- (3) Documents concerning finance and other documents specified by Cabinet Office Order must be attached to the written notice referred to in the preceding paragraph.
- (4) If any of the particulars set forth in paragraph (2), item (ii) or item (iv) are changed, the person who is deemed to be an issuer of prepaid payment instruments for its own business pursuant to the provisions of paragraph (1) must notify the prime minister to that effect without delay.

(Return of Security Deposits for Issuance)

Article 31 (1) A holder of prepaid payment instruments has the right to receive, in preference over other creditors, payments with regard to claims pertaining to prepaid payment instruments for the return of the security deposits for issuance pertaining to those prepaid payment instruments.

- (2) In the case falling under any of the following items, when the prime minister finds it necessary for the protection of the interests of holders of prepaid payment instruments, the minister must give a public notice that persons holding the right specified in the preceding paragraph must file their claims with the prime minister within a certain period not less than sixty days and that they must be excluded from the procedures for the fulfillment of the right to the return of the security deposits for issuance pertaining to the public notice unless they file their claims within the relevant period:
- (i) when a petition is filed for the fulfillment of the right specified in the preceding paragraph; or
 - (ii) when a petition for commencement of bankruptcy proceedings, etc. is filed against an issuer of prepaid payment instruments.
- (3) The prime minister may, pursuant to the provisions of Cabinet Office Order, entrust the administrative functions related to the fulfillment of the right specified in paragraph (1) to a deposit-taking institution or any other person specified by Cabinet Order (referred to as "agents for a regional finance office that distribute security deposits to holders of prepaid payment instruments" in the following paragraph and in paragraph (5)).

- (4) Notwithstanding the provisions of any other Acts, any agents for a regional finance office that distributes security deposits to holders of prepaid payment instruments may conduct the business of performing the administrative functions entrusted pursuant to the provisions of the preceding paragraph.
- (5) With regard to the application of the Penal Code (Act No. 45 of 1907) and other penal provisions to an agents for a regional finance office that distributes security deposits to holders of prepaid payment instruments to whom business has been entrusted pursuant to the provisions of paragraph (3) or its officers or employees engaging in entrusted business are deemed to be officials engaged in public service pursuant to laws and regulations.
- (6) Beyond what is provided for in paragraph (2) through the preceding paragraph, particulars necessary for the fulfillment of the right referred to in paragraph (1) are specified by Cabinet Order.

(Cooperation for Return of Security Deposits for Issuance)

Article 32 If a person to whom the business of issuing prepaid payment instruments has been entrusted by an issuer of prepaid payment instruments, or a closely related person, member shop or any other related person of the issuer of prepaid payment instruments is requested by the prime minister to extend their cooperation necessary for the fulfillment of the right specified in paragraph (1) of the preceding Article pertaining to the prepaid payment instruments issued by the issuer of prepaid payment instruments, the person is to endeavor to respond to the request.

(Notification of Discontinuation of Business)

Article 33 (1) If an issuer of prepaid payment instruments falls under any of the following items, it must notify the prime minister to that effect without delay:

- (i) when the issuer of prepaid payment instruments has discontinued all or part of the business of issuing prepaid payment instruments; or
- (ii) when the issuer of prepaid payment instruments falls under Article 31, paragraph (2), item (ii).

(2) When an issuer of prepaid payment instruments for third-party business has discontinued all or part of the business of issuing prepaid payment instruments for third-party business, the registration of the issuer of prepaid payment instruments for third-party business referred to in Article 7 ceases to be effective.

(Completion of Performance of Obligations Due to Revocation of Registration)

Article 34 With regard to an issuer of prepaid payment instruments for third-party business, when the registration referred to in Article 7 is revoked pursuant to provisions of Article 27, paragraph (1) or (2) or ceased to be

effective pursuant to the provisions of paragraph (2) of the preceding Article, the person who has been an issuer of prepaid payment instruments for third-party business is deemed to be an issuer of prepaid payment instruments for third-party business within the scope of the purpose of completing the performance of obligations pertaining to the prepaid payment instruments for third-party business issued by the person.

(Special Provisions for Deposit-Taking Institutions)

Article 35 The provisions of Article 14, paragraph (1) do not apply to an issuer of prepaid payment instruments who is a deposit-taking institution satisfying the requirements specified by Cabinet Order or any other person specified by Cabinet Order.

(Prohibition on Solicitation of Prepaid Payment Instruments Issued in Foreign Countries)

Article 36 A person conducting the business of issuing prepaid payment instruments in a foreign country must not solicit a person in Japan for prepaid payment instruments issued by the person in the foreign country.

Chapter III Funds Transfers

Section 1 General Provisions

(Definitions)

Article 36-2 (1) The term "type I funds transfer services" as used in this Act means funds transfer services other than type II funds transfer services and type III funds transfer services.

(2) The term "type II funds transfer services" as used in this Act means funds transfer services to handle only exchange transactions for the transfer of funds at amounts not exceeding the amount specified as a small amount by Cabinet Order (excluding type III funds transfer services).

(3) The term "type III funds transfer services" as used in this Act means funds transfer services to handle only exchange transactions for the transfer of funds at amounts not exceeding the amount specified as a particularly small amount by Cabinet Order.

(Registration of Funds Transfer Service Providers)

Article 37 Notwithstanding the provisions of Article 4, paragraph (1) and Article 47, paragraph (1) of the Banking Act, a person registered by the prime minister may provide the funds transfer service.

(Application for Registration)

- Article 38 (1) A person referred to in the preceding Article who intends to be registered must, pursuant to the provisions of Cabinet Office Order, submit a written application for registration containing the following particulars to the prime minister:
- (i) trade name and address;
 - (ii) amount of capital;
 - (iii) name and location of the business office pertaining to the funds transfer service;
 - (iv) name of director and company auditor (director(s) in cases of a company which formed a supervisory committee, etc.; director(s) and executive officer(s) in cases of a company having a nominating committee, etc.; and persons equivalent thereto pursuant to laws and regulations of a foreign state in cases of a foreign funds transfer service provider; the same applies in Article 40, paragraph (1), item (x));
 - (v) in cases of a company having accounting advisors, names of accounting advisors;
 - (vi) in cases of a foreign funds transfer service provider, name of the representative person in Japan;
 - (vii) categories of funds transfer services (meaning the categories of type I funds transfer services, type II funds transfer services, and type III funds transfer services; hereinafter the same applies in this Chapter);
 - (viii) details and means of the funds transfer service;
 - (ix) if part of the funds transfer service is entrusted to a third party, the details of the business pertaining to the entrustment and the name or trade name or other name and address of the third party to whom the funds transfer services are entrusted;
 - (x) type of the businesses, if the service provider conducts other business; and
 - (xi) other particulars specified by Cabinet Office Order.
- (2) A document in which the applicant pledges that the applicant does not fall under any of the items of Article 40, paragraph (1), documents concerning finance, documents containing particulars concerning the establishment of a system for ensuring the provision of funds transfer services in a proper and steady manner, and other documents specified by Cabinet Office Order must be attached to the application for registration referred to in the preceding paragraph.

(Register of Funds Transfer Service Providers)

- Article 39 (1) The prime minister must, when an application for registration referred to in Article 37 is filed, register the following particulars to the register of funds transfer service providers, except when refusing the registration pursuant to the provisions of paragraph (1) of the following

Article:

- (i) particulars listed in the items of paragraph (1) of the preceding Article; and
 - (ii) date of registration and registration number.
- (2) When the prime minister registered the particulars under the provisions of the preceding paragraph, the minister must notify the applicant to that effect without delay.
- (3) The prime minister must make the register of funds transfer service providers available for public inspection.

(Refusal of Registration)

Article 40 (1) The prime minister must refuse registration when an applicant falls under any of the following items, or a written application for registration or its accompanying documents contain false statements about important particulars, or lack any statement about important particulars:

- (i) a person other than a stock company or a foreign funds transfer service provider (limited to a foreign company that has a business office in Japan);
- (ii) a foreign funds transfer service provider that is a corporation who does not have a representative person in Japan (limited to a person who is domiciled in Japan);
- (iii) a corporation which lacks the sufficient financial foundation that is necessary for the provision of funds transfer services in a proper and steady manner;
- (iv) a corporation which has not established a system for the provision of funds transfer services in a proper and steady manner;
- (v) a corporation which has not established a system that is necessary for ensuring compliance with the provisions of this Chapter;
- (vi) a corporation which intends to use a trade name that is identical to the one currently being used by another funds transfer service provider or that may be misidentified as another funds transfer service provider;
- (vii) a corporation which had its registration referred to in Article 37 revoked pursuant to the provisions of Article 56, paragraph (1) or (2), had its license under the provisions of Article 64, paragraph (1) revoked pursuant to the provisions of Article 82, paragraph (1) or (2), or had the registration or license of the same type in a foreign state (including permission or other administrative dispositions similar to the registration or license) revoked pursuant to the provisions of laws and regulations of the foreign state equivalent to this Act or the Banking Act, etc., and for which five years have not passed from the date of the revocation;
- (viii) a corporation which has been punished by a fine (including a punishment pursuant to laws and regulations of a foreign state equivalent to this) for violating the provisions of this Act, the Banking Act, the Act on Regulating

- the Receipt of Contributions, Receipt of Deposits, and Interest Rates (Act No. 195 of 1954) or laws and regulations of a foreign state equivalent thereto, and for which five years have not elapsed from the day on which the execution of the sentence ended or from the day on which the sentence ceased to be executed;
- (ix) a corporation whose other business is found to be against the public interest;
 - (x) a corporation that employs a person who is a director, company auditor, or accounting advisor (including representative persons in Japan in cases of a foreign funds transfer service provider; hereinafter referred to as a "director, etc." in this Chapter) falling under any of the following items:
 - (a) a person specified by Cabinet Office Order as being unable to properly perform their duties pertaining to funds transfer services due to a mental or physical disorder;
 - (b) a person who has not had their rights restored after receiving an order to commence bankruptcy proceedings, or a person equivalent thereto pursuant to laws and regulations of a foreign state;
 - (c) a person who has been sentenced to imprisonment or heavier punishment (including equivalent punishment pursuant to laws and regulations of a foreign state), and for whom five years have not elapsed from the date on which the execution of the sentence ended or from the day on which the sentence ceased to be executed;
 - (d) a person who has been punished by a fine (including a punishment pursuant to laws and regulations of a foreign state equivalent to this) for violating the provisions of this Act, the Banking Act, the Act Regulating the Receipt of Contributions, Receipt of Deposits, and Interest Rates, the Act on Prevention of Unjust Acts by Organized Crime Group Members (Act No. 77 of 1991) or laws and regulations of a foreign state equivalent thereto, and for whom five years have not elapsed from the day on which the execution of the sentence ended or from the day on which the sentence ceased to be executed; or
 - (e) if a funds transfer service provider had its registration referred to in Article 37 revoked pursuant to the provisions of Article 56, paragraph (1) or (2), or a corporation had the registration of the same type in a foreign state (including permission or other administrative dispositions similar to the registration) revoked pursuant to the provisions of laws and regulations of the foreign state equivalent to this Act, a person who was a director, etc. of the corporation at any time during the thirty days prior to the date of the revocation and for whom five years have not passed from the relevant date or a person similar thereto specified by Cabinet Order.
- (2) When the prime minister refuses the registration pursuant to the provisions

of the preceding paragraph, the minister must notify the applicant to that effect by indicating the reason without delay.

(Approval of Business Implementation Plans)

Article 40-2 (1) When a funds transfer service provider intends to provide type I funds transfer services, the funds transfer service provider must formulate a business implementation plan containing the following particulars and obtain authorization of the prime minister, pursuant to the provisions of Cabinet Office Order. The same applies when a funds transfer service provider intends to change the business implementation plan (excluding minor changes specified by Cabinet Office Order):

- (i) if the funds transfer service provider sets the maximum amount of funds to transfer in exchange transactions, that upper limit;
- (ii) the method of the management of an electronic data processing system to be used for exchange transactions; and
- (iii) other particulars specified by Cabinet Office Order.

(2) When a funds transfer service provider has made any minor change specified by Cabinet Office Order as prescribed in the preceding paragraph, the funds transfer service provider must notify the prime minister to that effect.

(3) The prime minister may set requirements for the approval referred to in paragraph (1) and change those requirements, to the extent necessary for the approval.

(Registration of Changes)

Article 41 (1) When a funds transfer service provider intends to change any of the particulars set forth in Article 38, paragraph (1), item (vii) (limited to changes due to its intention to provide a new type of funds transfer service), the funds transfer service provider must have the change registered by the prime minister, pursuant to the provisions of Cabinet Office Order.

(2) The provisions of Articles 38 to 40 apply mutatis mutandis to the registration of change referred to in the preceding paragraph. In this case, the term the "following particulars" in Article 38, paragraph (1) is replaced with the "particulars pertaining to the change", the term "any of the items of Article 40, paragraph (1)" in paragraph (2) of that Article is replaced with "any of the items of Article 40, paragraph (1) (excluding items (i), (ii) and (vi) to (x))", the term the "following particulars" in Article 39, paragraph (1) is replaced with the "particulars pertaining to the change", and the term "any of the following items" in Article 40, paragraph (1) is replaced with "any of the items of Article 40, paragraph (1) (excluding items (i), (ii) and (vi) to (x))".

(3) When a funds transfer service provider intends to make any changes that are specified by Cabinet Office Order as those that are likely to weaken the

protection of users of funds transfer services or hinder the proper and steady provision of funds transfer services (referred to "changes to the details of specified business, etc." in the following paragraph) which are the particulars set forth in Article 38, paragraph (1), item (viii), the funds transfer service provider must notify the prime minister to that effect in advance.

- (4) When any of the particulars set forth in the items of Article 38, paragraph (1) (excluding changes to the details of the specified business, etc., and in the case of a change in the particulars set forth in item (vii) of that paragraph, limited to the change due to the discontinuation of the whole funds transfer service of the same category) are changed, the funds transfer service provider must notify the prime minister to that effect without delay.
- (5) When the prime minister accepts a notification under the provisions of the preceding two paragraphs, the minister must register the informed particulars in the register of funds transfer service providers.

(Prohibition of Name Lending)

Article 42 A funds transfer service provider must not have another person provide the funds transfer services in the name of the funds transfer service provider.

Section 2 Business

(Making Security Deposits for Providing Funds Transfer Services)

Article 43 (1) A funds transfer service provider must make security deposits for providing funds transfer services to the official depository nearest to its head office (in cases of a funds transfer service provider that is a foreign funds transfer service provider, its principal business office in Japan; the same applies in Article 48) for each category of funds transfer services set forth in the following items as specified therein in accordance with the category of funds transfer service:

- (i) type I funds transfer services: make security deposits in an amount equivalent to an amount not less than the amount required for security deposit for providing funds transfer services as of each business day during a period set by the funds transfer service provider within the period specified by Cabinet Office Order not exceeding one week from the relevant business day; or
- (ii) type II funds transfer services or type III funds transfer services: make security deposits in an amount equivalent to an amount not less than the maximum amount of the amount required for security deposit for providing funds transfer services pertaining to type II funds transfer services or type III funds transfer services during a period not exceeding one week set by the

funds transfer service provider for each category of funds transfer services, for the respective periods, during a period set by the funds transfer service provider within the period specified by Cabinet Office Order not exceeding one week from the last day of the former period (referred to as the "Base Date" in Article 45-2, paragraphs (4) and (5) and Article 47, item (i)).

(2) The term "amount required for security deposit for providing funds transfer services" as used in the items of the preceding paragraph means the total amount of outstanding obligations in the process of being transferred (meaning an amount, calculated pursuant to the provisions of Cabinet Office Order, of obligations borne by a funds transfer service provider in relation to exchange transactions carried out by the funds transfer service provider; hereinafter the same applies in this Chapter) as of each business day for each category of funds transfer service and an amount calculated pursuant to the provisions of Cabinet Office Order as the amount of costs pertaining to the procedure for the fulfillment of the right specified in Article 59, paragraph (1) (for type III funds transfer services by a funds transfer service provider to whom the provisions of Article 45-2, paragraph (1) are applied, the total amount obtained by deducting the amount of outstanding obligations in the process of being transferred pertaining to type III funds transfer services as of each business day multiplied by the rate of management by bank deposits or savings specified in that paragraph from the amount of outstanding obligations in the process of being transferred as of each of those business days, and the amount calculated pursuant to the provisions of Cabinet Office Order as the amount of costs pertaining to the procedure for the fulfillment of the right specified in Article 59, paragraph (1)); provided, however, that if the total is not more than the amount specified by Cabinet Order as being necessary for ensuring the performance of obligations borne by a small-scale funds transfer service provider in relation to exchange transactions carried out by the small-scale funds transfer service provider, the amount required for security deposit for providing funds transfer services is the amount specified by the relevant Cabinet Order.

(3) National government bond certificates, local government bond certificates or other bond certificates specified by Cabinet Office Order (including transfer bonds prescribed in Article 278, paragraph (1) of the Act on Book-Entry Transfer of Corporate Bonds and Shares; the same applies in Article 45, paragraph (3)) may be deposited to fulfill the security deposits for providing funds transfer services requirement. In this case, the appraised value of those bond certificates is determined pursuant to the provisions of Cabinet Office Order.

(Guarantee Contracts for Security Deposits for Providing Funds Transfer

Services)

Article 44 When a funds transfer service provider concludes a guarantee contract for security deposits of providing funds transfer services (meaning a contract in which a deposit-taking institution satisfying the requirements specified by Cabinet Order or any other person specified by Cabinet Order promises that security deposits for providing funds transfer services will be made on behalf of the funds transfer service provider in response to an order by the prime minister; the same applies in this Chapter) for each category of funds transfer service that it provides and has notified the minister to that effect, pursuant to the provisions of Cabinet Order, it may choose not to make all or part of the security deposits for providing funds transfer services for the relevant category of funds transfer service with regard to the secured amount (meaning the amount of money to be deposited under the guarantee contract for security deposits for providing funds transfer services; hereinafter the same applies in this Chapter) limited to the period during which the contract remains in force.

(Trust Agreements for Security Deposits for Providing Funds Transfer Services)

Article 45 (1) If a funds transfer service provider concludes a trust agreement for security deposits for providing funds transfer services with a trust company, etc. (meaning a trust agreement whose purpose is to apply trust property to security deposits for providing funds transfer services in response to an order by the prime minister, which states that the trust company, etc. carries out necessary acts including the management of trust property for achieving the purpose of the trust; the same applies hereinafter in this Chapter) for each category of funds transfer service that it provides and has notified the minister to that effect, it may choose not to make all or part of the security deposits for providing funds transfer services for the relevant category of funds transfer service with regard to the amount of trust property during the period in which the trust property is entrusted pursuant to the trust agreement for security deposits for providing funds transfer services.

(2) A trust agreement for security deposits for providing funds transfer services must provide the following particulars:

(i) the beneficiaries of the trust agreement for security deposits for providing funds transfer services are to be the users of exchange transactions carried out by the funds transfer service provider who is the party to the trust agreement for security deposits for providing funds transfer services (limited to exchange transactions for the category of funds transfer service pertaining to the trust agreement for security deposits for providing funds transfer services);

- (ii) an agent of the beneficiaries is appointed;
 - (iii) a trust company, etc. realizes the trust property and deposits the proceeds thereof in response to an order by the prime minister; and
 - (iv) other particulars specified by Cabinet Office Order.
- (3) The types of the trust properties entrusted pursuant to a trust agreement for security deposits for providing funds transfer services are to be limited to money, bank deposits and savings (limited to those specified by Cabinet Office Order), or national government bond certificates, local government bond certificates or other bond certificates specified by Cabinet Office Order. In this case, the appraised value of those bond certificates is determined pursuant to the provisions of Cabinet Office Order.

(Management by Bank Deposits or Savings)

Article 45-2 (1) When a funds transfer service provider (limited to a person providing type III funds transfer services) has submitted a written notice containing the following particulars to the prime minister, pursuant to the provisions of Cabinet Office Order, it may choose not to make all or part of the security deposits for providing type III funds transfer services on or after the day set forth in item (i). In this case, the funds transfer service provider must manage money in the amount equivalent to the amount not less than the amount obtained by multiplying the amount of outstanding obligations in the process of being transferred pertaining to type III funds transfer services as of each business day by the rate set forth in item (ii) (when the rate is changed, the rate that has been changed; hereinafter referred to as the "rate for managing bank deposits or savings" in this Article and Article 59, paragraph (1)) by using the method for managing bank deposits or savings specified in item (i):

- (i) the day on which the management of money in the amount equivalent to all or part of the amount of outstanding obligations in the process of being transferred pertaining to type III funds transfer services commences as of each business day by the method for managing bank deposits or savings (limited to bank deposits or savings, which is obvious from the name of the account holder, that the money must be managed pursuant to the provisions of this paragraph) or by another method specified by Cabinet Office Order (hereinafter referred to as the "method for managing bank deposits or savings" in this Article and Article 53, paragraph (2), item (ii));
- (ii) the percentage of the amount of outstanding obligations in the process of being transferred pertaining to type III funds transfer services that is to be managed by the method for managing bank deposits or savings to the total amount thereof; and
- (iii) other particulars specified by Cabinet Office Order.

- (2) A funds transfer service provider to whom the provisions of the preceding paragraph are applied must undergo a periodic audit by a certified public accountant (including foreign certified public accountant specified in Article 16-2, paragraph (5) of the Certified Public Accountants Act (Act No. 103 of 1948); the same applies in Article 53, paragraph (3), item (ii)) or by an audit corporation, with regard to the aspects of management by using the method for managing bank deposits or savings, pursuant to the provisions of Cabinet Office Order.
- (3) When a funds transfer service provider to whom the provisions of paragraph (1) are applied intends to change the rate of management by bank deposits or savings or other particulars specified by Cabinet Office Order, the funds transfer service provider must submit a written notice containing the day on which the change is to be made and other particulars specified by Cabinet Office Order to the prime minister in advance, pursuant to the provisions of Cabinet Office Order.
- (4) A change to lower the rate of management by bank deposits or savings may be made only in the case where the total amount of security deposits for providing funds transfer services, the secured amount and the amount of trust property specified in paragraph (1) of the preceding Article pertaining to type III funds transfer services as of the day on which the change to be made that is notified in a written notice referred to in the preceding paragraph exceeds the amount required for deposit pertaining to type III funds transfer services (meaning the amount of security deposits for providing type III funds transfer services, which must be made by a funds transfer service provider to whom the provisions of paragraph (1) are applied must deposit for type III funds transfer services it provides, when making the relevant change, under the provisions of Article 43, paragraph (1)) as of the base date immediately preceding that day.
- (5) A funds transfer service provider to whom the provisions of the preceding paragraph are applied may terminate the application of the provisions of that paragraph by submitting a written notice containing the day on which the application of the provisions of that paragraph ends (hereinafter referred to as the "day on which the management by bank deposits or savings ends" in this paragraph) and other particulars specified by Cabinet Office Order to the prime minister, pursuant to the provisions of Cabinet Office Order; provided, however, that this does not apply when the total amount of security deposits for providing funds transfer services, the secured amount and the amount of trust property specified in paragraph (1) of the preceding Article pertaining to type III funds transfer services as of the day on which the management by bank deposits or savings ends is less than the amount required for deposit pertaining to type III funds transfer services (meaning the amount of security deposits for providing type III funds transfer services that the funds transfer

service provider must deposit for type III funds transfer services it provides, when terminating the application of the provisions of paragraph (1), under the provisions of Article 43, paragraph (1)) as of a base date immediately preceding that day on which the management by bank deposits or savings ends.

(Order to Deposit)

Article 46 When the prime minister finds it necessary for the protection of the interests of users of funds transfer services, the minister may order a funds transfer service provider who has concluded a guarantee contract for security deposits for providing funds transfer services or trust agreement for security deposits for providing funds transfer services or the counterparty thereto to deposit all or part of the secured amount or the amount of proceeds from the trust property that has been realized.

(Recovery of Security Deposits for Providing Funds Transfer Services)

Article 47 All or part of the security deposits for providing only one type of funds transfer service may be recovered, pursuant to the provisions of Cabinet Order, if any of the requirements specified in the following items are satisfied:

- (i) when the amount required for deposit (meaning the amount of security deposits for providing funds transfer services which must be made by a funds transfer service provider, pursuant to the provisions of Article 43, paragraph (1)) as of the immediately preceding base date (for type I funds transfer services, as of each business day) is less than the total amount of security deposits for providing funds transfer services, the secured amount, and the amount of trust property specified in Article 45, paragraph (1) as of that base date;
- (ii) when the procedure for the fulfillment of the right specified in Article 59, paragraph (1) is completed; and
- (iii) the case specified by Cabinet Order, as the case in which the performance of obligations borne in relation to exchange transactions is completed.

(Change of Official Depository for Security Deposits for Providing Funds Transfer Services and Other Procedures)

Article 48 Beyond what is provided for in this Section, a change of official depository for security deposits for providing funds transfer services due to the change of the location of the head office of a funds transfer service provider and other particulars necessary for making the security deposits for providing funds transfer services are prescribed by Cabinet Office Order and Ministry of Justice Order.

(Management of Information Security)

Article 49 A funds transfer service provider must, pursuant to the provisions of Cabinet Office Order, take necessary measures for preventing leakage, loss, or damage of information pertaining to the funds transfer services and otherwise ensuring safe control of the handling of that information.

(Management of Entrusted Parties)

Article 50 If a funds transfer service provider entrusts (including the case under multi-tier entrustment arrangements) part of the funds transfer service to a third party, the funds transfer service provider must, pursuant to the provisions of Cabinet Office Order, provide guidance to the third party to whom the relevant business has been entrusted and take other measures necessary for ensuring the operation of the business in a proper and steady manner.

(Measures for Customer Protection)

Article 51 A funds transfer service provider must, pursuant to the provisions of Cabinet Office Order, provide explanation to prevent users from mistaking its business for exchange transactions carried out by a Deposit-Taking Institution, and provide information about fees and other terms and conditions of contracts related to the funds transfer services and take measures not to hold part of funds received from users that is found unlikely to be used for exchange transactions or other measures necessary for protecting the users of funds transfer services and ensuring the proper and secure conduct of funds transfer services.

(Restrictions on Obligations to be Borne in Relation to Type I Funds Transfer Services)

Article 51-2 (1) A funds transfer service provider (limited to a person providing type I funds transfer services; the same applies in the following paragraph) must not bear obligations in relation to exchange transactions (limited to exchange transactions pertaining to type I funds transfer services; the same applies in the following paragraph) for which the amount of funds to be transferred, the day on which the funds are transferred, and other particulars specified by Cabinet Office Order are not clear to users of type I funds transfer services.

(2) A funds transfer service provider must not bear obligations in relation to exchange transactions beyond the period necessary for processing the transfer of funds or another period specified by Cabinet Office Order.

(Restrictions on the Amount of Obligations to be Borne in Relation to Type III Funds Transfer Services)

Article 51-3 A funds transfer service provider (limited to a person providing type

III funds transfer services) must not bear obligations (limited to obligations borne in relation to exchange transactions pertaining to type III funds transfer services) in an amount exceeding the amount for users of type III funds transfer services specified by Cabinet Order.

(Obligation to Conclude Contract with Designated Dispute Resolution Organizations for Funds Transfer Services)

Article 51-4 (1) A funds transfer service provider must take the measures specified in the following items according to the categories of cases set forth therein:

- (i) if one or more designated dispute resolution organizations for funds transfer services (meaning designated dispute resolution organizations for which the category of dispute resolution services is a funds transfer service; hereinafter the same applies in this Article) exist: measures to conclude a basic contract for execution of procedures with a designated dispute resolution organization for funds transfer service (meaning a basic contract for execution of procedures prescribed in Article 99, paragraph (1), item (viii); the same applies in the following paragraph) pertaining to the funds transfer service; or
 - (ii) if no designated dispute resolution organization for funds transfer services exists: complaint processing measures and dispute resolution measures pertaining to the funds transfer service.
- (2) If a funds transfer service provider implements measures to conclude a basic contract for execution of procedures pursuant to the provisions of the preceding paragraph, the funds transfer service provider must publicly announce the trade name or other name of the designated dispute resolution organization for funds transfer services that is the counterparty to the basic contract for execution of procedures.
- (3) The provisions of paragraph (1) do not apply during the period specified in the following items according to the respective categories of cases prescribed therein:
- (i) if a funds transfer service provider who initially fell under paragraph (1), item (i) has come to fall under paragraph (1), item (ii): A period specified by the prime minister as that necessary for taking measures specified in paragraph (1), item (ii) when authorization is granted for the abolition of the Dispute Resolution Services referred to in Article 52-83, paragraph (1) of the Banking Act as applied mutatis mutandis pursuant to Article 101, paragraph (1) following the deemed replacement of terms or designation is revoked pursuant to the provisions of Article 100, paragraph (1);
 - (ii) if a funds transfer service provider falls under paragraph (1), item (i), when authorization is granted for the abolition of the Dispute Resolution Services

- by the Designated Dispute Resolution Organization for Funds Transfer Services mentioned in that item of Article 52-83, paragraph (1) of the Banking Act as applied mutatis mutandis pursuant to Article 101, paragraph (1) following the replacement of terms or the designation granted to the Designated Dispute Resolution Organization for Funds Transfer Services under the provision of Article 99, paragraph (1) is revoked pursuant to the provisions of Article 100, paragraph (1) (excluding the case specified in the preceding item): A period specified by the prime minister as the period necessary for taking measures specified in paragraph (1), item (i) at the time of the authorization or revocation; or
- (iii) if a funds transfer service provider who initially fell under paragraph (1), item (ii) has come to fall under paragraph (1), item (i): A period specified by the prime minister as the period necessary for taking measures specified in paragraph (1), item (i) when designation is granted under the provisions of Article 99, paragraph (1).
- (4) The term "complaint processing measures" as used in paragraph (1), item (ii) means having a person specified by Cabinet Office Order as one who has expert knowledge and experience with regard to consultation regarding complaints on consumer affairs that the consumer made against the service provider or in other areas of consumer affairs, to provide advice or guidance to employees or other workers who engage in the business of processing complaints from the users or any other measures specified by Cabinet Office Order as similar thereto.
- (5) The term "dispute resolution measures" as used in paragraph (1), item (ii) means seeking resolution of a dispute with the user through the authorized dispute resolution procedures (meaning the authorized dispute resolution procedures prescribed in Article 2, item (iii) of the Act on Promoting the Use of Alternative Dispute Resolution (Act No. 151 of 2004)) or any other measures specified by Cabinet Office Order as similar thereto.

Section 3 Supervision

(Books and Documents)

Article 52 A funds transfer service provider must, pursuant to the provisions of Cabinet Office Order, prepare and maintain the books and documents on its funds transfer service.

(Written Reports)

Article 53 (1) A funds transfer service provider must, pursuant to the provisions of Cabinet Office Order, prepare a written report on its funds transfer services for each business year and submit it to the prime minister.

(2) In addition to the written reports prescribed in the preceding paragraph, a funds transfer service provider must prepare a written report specified in the following items in accordance with the respective types of funds transfer service providers set forth therein for each period specified by Cabinet Office Order not exceeding six months (simply referred to as the "period" in item (ii)), and submit it to the prime minister, pursuant to the provisions of Cabinet Office Order:

(i) funds transfer service providers other than those set forth in the following item: a written report on the amount of outstanding obligations in the process of being transferred, and the status of security deposits for providing funds transfer services, guarantee contracts for security deposits for providing funds transfer services, or trust agreements for security deposits for providing funds transfer services; or

(ii) funds transfer service providers to whom the provisions of Article 45-2, paragraph (1) were applied in the immediately preceding period: the written report specified in the preceding item and a written report on the status of management by the method of management by bank deposits or savings pertaining to type III funds transfer services.

(3) Documents specified in the following items in accordance with the respective types of funds transfer service providers set forth therein must be attached to the written report referred to in the preceding two paragraphs:

(i) a person set forth in item (i) of the preceding paragraph: documents concerning finance and other documents specified by Cabinet Office Order; or

(ii) a person set forth in item (ii) of the preceding paragraph: documents concerning finance, an audit report prepared by a certified public accountant or audit corporation regarding these documents, and other documents specified by Cabinet Office Order.

(On-Site Inspections)

Article 54 (1) When the prime minister finds it necessary for the provision of funds transfer service in a proper and steady manner, the minister may order a funds transfer service provider to submit reports or materials that can be used as reference for its business or property, or have officials enter the business office or other establishment of that funds transfer service provider, ask questions about the status of its business or property or inspect its books and documents or other items.

(2) When the prime minister finds it particularly necessary for the provision of funds transfer service in a proper and steady manner, the minister may order a person to whom business has been entrusted by the funds transfer service provider (including persons to whom the business has been entrusted by the entrusted person (including those under multi-tier entrustment arrangements));

hereinafter the same applies in this Article and Article 60) to submit reports or materials that can be used as reference for the business or property of the funds transfer service provider, or have officials enter the business office, office or other establishment of the person to whom business has been entrusted by the funds transfer service provider, ask questions about the status of its business or property of the funds transfer service provider or inspect its books and documents or other items, to the extent necessary for the order.

- (3) A person to whom business has been entrusted by a funds transfer service provider referred to in the preceding paragraph may, if there are reasonable grounds for doing so, refuse the submission of reports or materials, or the inquiry or inspection under the provisions of that paragraph.

(Order to Improve Business Operations)

Article 55 When the prime minister finds it necessary for the provision of funds transfer service in a proper and steady manner, the minister may order a funds transfer service provider to take necessary measures to improve the operation of its business or its financial status or other measures necessary for the purpose of supervision, to the extent necessary for the order.

(Revocation of Registration)

Article 56 (1) When a funds transfer service provider falls under any of the following items, the prime minister may revoke its registration referred to in Article 37 or order the funds transfer service provider to suspend all or part of its funds transfer service, by setting a period for suspension not exceeding six months:

- (i) when the funds transfer service provider falls under any of the items of Article 40, paragraph (1);
 - (ii) when the funds transfer service provider has been registered pursuant to the provisions of Article 37 or the change referred to in Article 41, paragraph (1) has been registered through wrongful means;
 - (iii) when the funds transfer service provider has provided type I funds transfer service not in accordance with the authorized business implementation plan referred to in Article 40-2, paragraph (1); or
 - (iv) when the funds transfer service provider violates this Act, an order under this Act, or the requirements for a disposition or authorization under these Act, or order.
- (2) When the locations of business offices of a funds transfer service provider are not ascertained or the whereabouts of the director or executive officer representing the funds transfer service provider (in cases of a funds transfer service provider that is a foreign funds transfer service provider, the representative person in Japan) is not ascertained, the prime minister gives

public notice to that effect pursuant to the provisions of Cabinet Office Order and may revoke the registration of the funds transfer service provider referred to in Article 37 if the service provider fails to report within thirty days from the date of the public notice.

- (3) The provisions of Chapter III of the Administrative Procedure Act do not apply to the disposition under the provisions of the preceding paragraph.

(Deletion of Registration)

Article 57 When the prime minister revokes the registration referred to in Article 37 pursuant to provisions of paragraph (1) or (2) of the preceding Article or when the registration referred to in Article 37 has ceased to be effective pursuant to the provisions of Article 61, paragraph (2), the minister must delete the registration.

(Public Notice of Supervisory Dispositions)

Article 58 When the prime minister implements a disposition under the provisions of Article 56, paragraph (1) or (2), the minister must give public notice to that effect pursuant to the provisions of Cabinet Office Order.

(Special Provisions for Security Deposits for Providing Funds Transfer Services)

Article 58-2 (1) In the case where a funds transfer service provider provides two or more types of funds transfer services and the calculation period, the base date, etc. and the due date for deposit according to the respective types of funds transfer services provided by it, for which security deposits are to be made pursuant to the provisions of Article 43, paragraph (1), are the same for all or part of the respective types of funds transfer services provided by it, and when the funds transfer service provider has submitted a written notice containing the following particulars to the prime minister, pursuant to the provisions of Cabinet Office Order, the funds transfer service provider may make a lump sum deposit according to the respective types of funds transfer services set forth in item (ii) (hereinafter referred to as "funds transfer services under the special provisions" in this paragraph and the following paragraph) on or after the day set forth in item (i) (referred to as the "day on which the application of special provisions commences" in the following paragraph). With regard to the application of the provisions of Article 43, paragraphs (1) and (2), Article 44, Article 45, paragraph (1) and paragraph (2), item (i), Article 47 and paragraph (1) of the following Article to funds transfer services subject to special provisions in this case, the phrase "for the respective types of funds transfer services set forth in the following items specified therein in accordance with the types of funds transfer services" in Article 43, paragraph (1) is

deemed to be replaced with "as specified in the following items in accordance with the respective types of funds transfer services specified therein" and at the end of the provisions of that paragraph, the phrase "; provided, however, that in the case where the total amount required for security deposit for providing funds transfer services pertaining to the funds transfer services provided by the funds transfer service provider is not more than the amount specified by Cabinet Order as being necessary for ensuring performance of obligations borne by a small-scale funds transfer service provider in relation to exchange transactions carried out by the small-scale funds transfer service provider, the funds transfer service provider must make security deposits for providing funds transfer services in the amount equivalent to the amount not less than the amount specified by the relevant Cabinet Order" is to be added; in paragraph (2) of that Article, the proviso is to be deleted; in Article 44, the phrases "for each type of funds transfer services provided by it" and "for the relevant type of funds transfer service" are to be deleted; in Article 45, paragraph (1), the phrases "for respective types of funds transfer services provided by it" and "for the relevant category of funds transfer services" are to be deleted, and in Article 45, paragraph (2), item (i), the phrase "(limited to exchange transactions for the category of funds transfer services pertaining to the trust agreement of security deposits for providing funds transfer services)" is to be deleted; in Article 47, the phrase "a single category of" is to be deleted, and in item (i) of that Article, the phrase "Article 43, paragraph (1)" is to be replaced with "the main clause of Article 43, paragraph (1)"; in paragraph (1) of the following Article, the phrase "for a single type of funds transfer services provided by" is to be replaced with "carried out" and the phrase "the type of" is to be deleted; and any other necessary technical replacement of terms is specified by Cabinet Order:

- (i) the day to commence a lump sum deposit;
 - (ii) two or more types of funds transfer services for which a lump sum deposit is to be made (limited to the types of services for which the calculation period, the base date, etc. and the due date for deposit are the same); and
 - (iii) other particulars specified by Cabinet Office Order.
- (2) Security deposits for providing funds transfer services made by a funds transfer service provider that has submitted a written notice referred to in the preceding paragraph has made for each of the funds transfer services under the special provisions pursuant to the provisions of Article 43, paragraph (1) as of the day on which the special provisions commence to apply are deemed to be security deposits for providing funds transfer services made by the funds transfer service provider pursuant to the provisions of Article 43, paragraph (1) as applied following the deemed replacement of terms pursuant to the provisions of the preceding paragraph.

(3) When a funds transfer service provider that has submitted a written notice referred to in paragraph (1) submits a written notice containing the type of funds transfer service for which it terminates a lump sum deposit (hereinafter referred to as the "funds transfer services for which the application of special provisions is terminated" in this paragraph and the following paragraph), the day on which it terminates a lump sum deposit for the funds transfer services for which the application of special provisions is terminated (hereinafter referred to as the "day on which the application of special provisions is terminated" in this paragraph and the following paragraph), and other particulars specified by Cabinet Office Order to the prime minister, pursuant to the provisions of Cabinet Office Order, the provisions of paragraph (1) do not apply to the funds transfer services for which the application of special provisions is terminated on or after the day on which the application of special provisions is terminated.

(4) Security deposits for providing funds transfer services made by a funds transfer service provider that submitted a written notice referred to in the preceding paragraph pursuant to the provisions of Article 43, paragraph (1) as applied following the deemed replacement of terms pursuant to the provisions of paragraph (1) as of the day on which the application of special provisions is terminated (including security deposits for providing funds transfer services that are deemed to have been made pursuant to the provisions of Article 43, paragraph (1) as applied following the deemed replacement of terms pursuant to the provisions of paragraph (1), pursuant to the provisions of paragraph (2)) are deemed to be security deposits for providing funds transfer services made by the funds transfer service provider for each of the funds transfer services for which the application of special provisions is terminated, pursuant to the provisions of Cabinet Office Order, in accordance with the amount required for deposit for each of the funds transfer services for which the application of special provisions is terminated (meaning the amount of security deposits made by the funds transfer service provider, when intending to terminate a lump sum deposit for funds transfer services for which the application of special provisions is terminated, must deposit for each of those funds transfer services for which the application of special provisions is terminated pursuant to the provisions of Article 43, paragraph (1)) as of the base date, etc. immediately preceding the day on which the application of special provisions is terminated.

(5) In this Article, the terms set forth in the following items mean as specified respectively therein:

(i) calculation period: for type I funds transfer services, means one business day, and for type II funds transfer services or type III funds transfer services, means a period set by a funds transfer service provider for the respective

- types of services not exceeding one week specified in Article 43, paragraph (1), item (ii);
- (ii) base date, etc.: for type I funds transfer services, means each business day, and for type II funds transfer services or type III funds transfer services, means the base date specified in Article 43, paragraph (1), item (ii);
- (iii) due date for deposit: for type I funds transfer services, means the last day of the period set by a funds transfer service provider within the period specified by Cabinet Office Order not exceeding one week from each business day specified in Article 43, paragraph (1), item (i), and for type II funds transfer services or type III funds transfer services, means last day of the period set by a funds transfer service provider for each type of funds transfer services within the period specified by Cabinet Office Order not exceeding one week from the base date specified in item (ii) of that paragraph; and
- (iv) a lump sum deposit: means making security deposits for providing funds transfer services in a lump sum through the same procedures.

Section 4 Miscellaneous Provisions

(Return of Security Deposits for Providing Funds Transfer Services)

- Article 59 (1) A creditor of obligations borne by a funds transfer service provider in relation to the exchange transactions for a single category of funds transfer services provided by the funds transfer service provider has the right to receive, in preference over other creditors, payments for the return of security deposits for providing that category of funds transfer services; provided, however, that creditors of obligations that a funds transfer service provider to whom the provisions of Article 45-2, paragraph (1) are applied bears in relation to the exchange transactions (limited to exchange transactions pertaining to type III funds transfer services) carried out thereby are to have the right up to the amount deducting the amount obtained by multiplying the claimed amount by the rate of management by bank deposits or savings from the amount of the claim.
- (2) In the cases falling under any of the following items, when the prime minister finds it necessary for the protection of the interests of users of funds transfer services, the minister must give public notice to the effect that persons holding the right specified in the preceding paragraph must file their claims with the prime minister within a certain period of not less than sixty days and that they are excluded from the procedure for the fulfillment of the right to the return of the security deposits for providing funds transfer services pertaining to the public notice unless they file their claims within the notified period and take other measures necessary for the fulfillment of the right prescribed in that paragraph:

- (i) when a petition is filed for the fulfillment of the right specified in the preceding paragraph; or
 - (ii) when a petition for commencement of bankruptcy proceedings, etc. is filed against a funds transfer service provider.
- (3) The prime minister may, pursuant to the provisions of Cabinet Office Order, entrust the administrative functions related to the fulfillment of the right prescribed in paragraph (1) to a deposit-taking institution or any other person specified by Cabinet Order (referred to as "agents for a regional finance office that distributes security deposits to holders of prepaid payment instruments" in the following paragraph and in paragraph (5)).
- (4) Notwithstanding the provisions of any other Acts, an agent for a regional finance office that distributes security deposits to holders of prepaid payment instruments may engage in the business entrusted to the agent pursuant to the provisions of the preceding paragraph.
- (5) With regard to the application of the Penal Code and other penal provisions, an agent for a regional finance office that distributes security deposits to holders of prepaid payment instruments to whom business has been entrusted pursuant to the provisions of paragraph (3) or its officers or employees engaging in the entrusted business are deemed to be officials engaged in public service pursuant to laws and regulations.
- (6) Beyond what is provided for in paragraph (2) through the preceding paragraph, particulars necessary for the fulfillment of the right prescribed in paragraph (1) are specified by Cabinet Order.

(Cooperation for Return of Security Deposits for Providing Funds Transfer Services)

Article 60 If a person to whom funds transfer services have been entrusted by a funds transfer service provider or any other related person of the funds transfer service provider is requested by the prime minister to extend their cooperation necessary for the fulfillment of the right prescribed in paragraph (1) of the preceding Article pertaining to exchange transactions carried out by the funds transfer service provider, the person is to endeavor to respond to the request.

(Notification of Discontinuation of Business)

Article 61 (1) If a funds transfer service provider falls under any of the following items, it must notify the prime minister to that effect without delay:

- (i) the funds transfer service provider discontinues all or part of the funds transfer service; or
- (ii) the funds transfer service provider falls under Article 59, paragraph (2), item (ii).

- (2) If a funds transfer service provider discontinues all of the funds transfer service, the registration of the funds transfer service provider referred to in Article 37 ceases to be effective.
- (3) When intending to discontinue all or part of the funds transfer services, a funds transfer service provider must, pursuant to the provisions of Cabinet Office Order, give public notice to that effect and post a notice to that effect in a place easily seen by the public at all of its business offices at least thirty days prior to the relevant date.
- (4) Having given public notice pursuant to the provisions of the preceding paragraph, a funds transfer service provider must notify the prime minister to that effect immediately.
- (5) Having given public notice pursuant to the provisions of paragraph (3) (excluding cases where it has given public notice concerning the succession of the relevant business by way of transfer of business, merger or company split, or for other reasons) a funds transfer service provider must, promptly complete the performance of obligations that it has borne in relation to the exchange transactions carried out by it in the course of the funds transfer services that the service provider intends to discontinue.
- (6) The provisions of Article 940, paragraph (1) (limited to the part pertaining to item (i)) and Article 940, paragraph (3) of the Companies Act applies mutatis mutandis to cases where a funds transfer service provider (excluding a foreign funds transfer service provider) gives public notice under the provisions of paragraph (3) by way of electronic public notice (meaning electronic public notice specified in Article 2, item (xxxiv) of that Act; the same applies in the following paragraph). In this case, any necessary technical replacement of terms is specified by Cabinet Order.
- (7) The provisions of Article 940, (1) (limited to the part pertaining to item (i)) and Article 940, (3), Article 941, Article 946, Article 947, Article 951 (2), Article 953, and Article 955 of the Companies Act apply mutatis mutandis to cases where a funds transfer service provider that is a foreign funds transfer service provider gives public notice under the provisions of paragraph (3) by way of electronic public notice. In this case, any necessary technical replacement of terms is specified by Cabinet Order.

(Completion of Performance of Obligations Due to Revocation of Registration)
Article 62 (1) With regard to a funds transfer service provider, when the registration referred to in Article 37 has been revoked pursuant to provisions of Article 56, paragraph (1) or (2) or has ceased to be effective pursuant to the provisions of paragraph (2) of the preceding Article, the person who has been the funds transfer service provider is deemed to be a funds transfer service provider within the scope of the purpose of completing the performance of

obligations borne by the service provider in relation to the exchange transactions carried out by it.

- (2) With regard to a funds transfer service provider providing two or more types of funds transfer services, when a change of type of funds transfer service due to the discontinuation of one type of whole funds transfer services has been registered in the register of funds transfer service providers pursuant to the provisions of Article 41, paragraph (5), the funds transfer service provider is deemed to be registered as a funds transfer service provider providing those types of funds transfer services referred to in Article 37 within the scope of the purpose of completing the performance of obligations borne by it in relation to the exchange transactions for the types of funds transfer services that it has discontinued.

(Prohibition on Solicitation by Foreign Funds Transfer Service Providers)

Article 63 Unless otherwise prescribed by laws and regulations, an unregistered foreign funds transfer service provider referred to in Article 37 must not solicit a person in Japan for exchange transactions.

Chapter III-2 Crypto-Assets

Section 1 General Provisions

(Registration of Crypto-Asset Exchange Service Providers)

Article 63-2 No person may provide a crypto-asset exchange service unless the person is registered by the prime minister.

(Application for Registration)

Article 63-3 (1) A person who intend to be registered referred to in the preceding Article must, pursuant to the provisions of Cabinet Office Order, submit a written application for registration containing the following particulars to the prime minister:

- (i) trade name and address;
- (ii) amount of capital;
- (iii) name and location of the business office pertaining to the crypto-asset exchange service;
- (iv) name of director and company auditor (director in cases of a company which formed an audit and supervisory committee, etc.; director and executive officer in cases of a company formed a nominating committee, etc.; and persons equivalent thereto pursuant to laws and regulations of a foreign state in cases of a foreign crypto-asset exchange service provider; the same applies in Article 63-5, paragraph (1), item (xi));
- (v) in cases of a company which appointed accounting advisors, names of

- accounting advisors;
 - (vi) in cases of a foreign crypto-asset exchange service provider, name of the representative person in Japan;
 - (vii) name of the crypto-asset to be used;
 - (viii) details and means of the crypto-asset exchange service;
 - (ix) if part of the crypto-asset exchange service is entrusted to a third party, the details of the business pertaining to the entrustment and the name or trade name or other name and address of the third party to whom the crypto-asset exchange services are entrusted;
 - (x) type of businesses, if the service provider conducts other businesses; and
 - (xi) other particulars specified by Cabinet Office Order.
- (2) A document in which the applicant pledges does not to fall under any of the items of Article 63-5, paragraph (1), documents concerning finance, documents containing particulars concerning the establishment of a system for ensuring the provision of the crypto-asset exchange service in a proper and steady manner, and other documents specified by Cabinet Office Order must be attached to the application for registration referred to in the preceding paragraph.

(Register of Crypto-Asset Service Providers)

- Article 63-4 (1) The prime minister must, when an application for registration referred to in Article 63-2 is filed, register the following particulars in the register of crypto-asset exchange service providers, except when refusing the registration pursuant to the provisions of paragraph (1) of the following Article:
- (i) particulars listed in the items of paragraph (1) of the preceding Article; and
 - (ii) date of registration and registration number.
- (2) If the prime minister registers the particulars under the provisions of the preceding paragraph, the minister must notify the applicant to that effect without delay.
- (3) The prime minister must make the register of crypto-asset exchange service providers available for public inspection.

(Refusal of Registration)

- Article 63-5 (1) The prime minister must refuse registration when an applicant falls under any of the following items, or a written application for registration or its accompanying documents contain false statements about important particulars, or lack any statement about important particulars:
- (i) a person other than a stock company or a foreign crypto-asset exchange service provider (limited to a foreign company that has a business office in Japan);

- (ii) a foreign crypto-asset exchange service provider that is a corporation who does not have a representative person in Japan (limited to a person who is domiciled in Japan);
- (iii) a corporation lacking a sufficient financial foundation that satisfies the requirements specified by Cabinet Office Order as those found to be necessary for the provision of the crypto-asset exchange service in a proper and steady manner;
- (iv) a corporation that has not established a system that is necessary for the provision of the crypto-asset exchange service in a proper and steady manner;
- (v) a corporation that has not established a system that is necessary for ensuring compliance with the provisions of this Chapter;
- (vi) a corporation that has not joined an association for certified payment service providers whose members (meaning the members specified in Article 87, item (ii)) are the crypto-asset exchange service providers and has not prepared internal rules of which contents are equivalent to the articles of incorporation or other rules (limited to those concerning the protection of users of crypto-asset exchange services or the provision of crypto-asset exchange services in a proper and steady manner) of the association for certified payment service providers or has not established a system for ensuring compliance with those internal rules;
- (vii) a corporation that intends to use a trade name that is identical to the one currently being used by another crypto-asset exchange service provider or that may be misidentified as another crypto-asset exchange service provider;
- (viii) a corporation that had its registration referred to in Article 63-2 revoked pursuant to the provisions of Article 63-17, paragraph (1) or (2), or had the registration of the same type in a foreign state (including permission or other administrative dispositions similar to the registration) revoked pursuant to the provisions of laws and regulations of the foreign state equivalent to this Act, and for whom five years have not passed from the date of the revocation;
- (ix) a corporation that has been punished by a fine (including a punishment pursuant to laws and regulations of a foreign state equivalent to this) for violating the provisions of this Act, the Financial Instruments and Exchange Act, the Act Regulating the Receipt of Contributions, Receipt of Deposits, and Interest Rates or laws and regulations of a foreign state equivalent thereto, and for whom five years have not elapsed from the day on which the execution of the sentence ended or from the day on which the sentence ceased to be executed;
- (x) a corporation conducting other business, which is found to be against the public interest;
- (xi) a corporation that employs a person who is a director, company auditor, or

accounting advisor (including representative person in Japan in cases of a foreign crypto-asset exchange service provider; hereinafter referred to as a "director, etc." in this Chapter) falling under any of the following items:

- (a) a person specified by Cabinet Office Order as being unable to properly perform their duties pertaining to crypto-asset exchange services due to a mental or physical disorder;
 - (b) a person who has not had their rights restored after receiving an order to commence bankruptcy proceedings, or a person equivalent thereto pursuant to laws and regulations of a foreign state;
 - (c) a person who has been sentenced to imprisonment or heavier punishment (including equivalent punishment pursuant to laws and regulations of a foreign state), and for whom five years have not elapsed from the day on which the execution of the sentence ended or from the day on which the sentence ceased to be executed;
 - (d) a person who has been punished by a fine (including a punishment under laws and regulations of a foreign state equivalent to this) for violating the provisions of this Act, the Financial Instruments and Exchange Act, the Act Regulating the Receipt of Contributions, Receipt of Deposits, and Interest Rates, the Act on Prevention of Unjust Acts by Organized Crime Group Members or laws and regulations of a foreign state equivalent thereto, and for whom five years have not elapsed from the day on which the execution of the sentence ended or from the day on which the sentence ceased to be executed;
 - (e) if a crypto-asset exchange service provider had its registration referred to in Article 63-2 revoked pursuant to the provisions of Article 36-17, paragraph (1) or (2), or a corporation had the registration of the same type in a foreign state (including permission or other administrative dispositions similar to the registration) revoked pursuant to the provisions of laws and regulations of the foreign state equivalent to this Act, a person who was a director, etc. of the corporation at any time during the thirty days prior to the date of the revocation and for whom five years have not elapsed from the relevant date or a person specified by Cabinet Order as similar thereto.
- (2) When the prime minister refuses the registration pursuant to the provisions of the preceding paragraph, the minister must notify the applicant to that effect by indicating the reason therefor without delay.

(Notification of Changes)

Article 63-6 (1) When a crypto-asset exchange service provider intends to change any of the particulars set forth in Article 63-3, paragraph (1), item (vii) or (viii) (excluding cases specified by Cabinet Office Order as being less likely to

weaken the protection of users of crypto-asset exchange services or hinder the provision of crypto-asset exchange services in a proper and steady manner), the crypto-asset exchange service provider must notify the prime minister to that effect in advance.

(2) If any of the particulars set forth in the items of Article 63-3, paragraph (1) (excluding the case in which a notification has been filed under the provisions of the preceding paragraph) are changed, the crypto-asset exchange service provider must notify the prime minister to that effect without delay.

(3) If the prime minister accepts a notification under the provisions of the preceding paragraph, the minister must register the particulars of the notification in the register of crypto-asset exchange service providers.

(Prohibition of Name Lending)

Article 63-7 A crypto-asset exchange service provider must not have another person provide the crypto-asset exchange service in the name of the crypto-asset exchange service provider.

Section 2 Business

(Information Security Management)

Article 63-8 A crypto-asset exchange service provider must, pursuant to the provisions of Cabinet Office Order, take necessary measures for preventing leakage, loss, or damage to information pertaining to the crypto-asset exchange services and other measures for the security management of relevant information.

(Management of Entrusted Parties)

Article 63-9 If a crypto-asset exchange service provider entrusts (including cases under multi-tier entrustment arrangements) part of the crypto-asset exchange services to a third party, the crypto-asset exchange service provider must, pursuant to the provisions of Cabinet Office Order, provide guidance to the third party to whom the relevant business has been entrusted and take other measures necessary for ensuring the operation of the business in a proper and steady manner.

(Advertisement of Crypto-Asset Exchange Services)

Article 63-9-2 When a crypto-asset exchange service provider places an advertisement concerning the crypto-asset exchange service provided by it, the crypto-asset exchange service provider must indicate the following particulars, pursuant to the provisions of Cabinet Office Order:

(i) the trade name of the crypto-asset exchange service provider;

- (ii) the fact that it is a crypto-asset exchange service provider and its registration number;
- (iii) the fact that crypto-assets are not the Japanese currency or a foreign currency; and
- (iv) the characteristics of crypto-assets specified by Cabinet Office Order as material characteristics that will affect users' judgment.

(Prohibited Acts)

Article 63-9-3 A crypto-asset exchange service provider or its officer or employee must not engage in the following conduct:

- (i) when concluding a contract for engaging in any acts set forth in the items of Article 2, paragraph (7) with a user of crypto-asset exchange service that is a counterparty or soliciting the conclusion thereof (referred to as the "conclusion, etc. of a crypto-asset exchange contract" in item (iii)), make a false representation or other representation which may mislead the counterparty with regard to the characteristics of crypto-assets and other particulars specified by Cabinet Office Order (referred to as the "characteristics, etc. of crypto-assets" in the following item);
- (ii) when placing an advertisement concerning the crypto-asset exchange service provided by it, give a false representation or other representation which may mislead people with regard to the characteristics, etc. of crypto-assets;
- (iii) when concluding a crypto-asset exchange contract, etc. or placing an advertisement concerning the crypto-asset exchange service provided by it, make a representation which may facilitate purchase and sale of a crypto-asset or exchange with another crypto-asset not for the purpose of using them as payment instruments but solely for making profits; and
- (iv) beyond what is set forth in the preceding three items, any conduct specified by Cabinet Office Order as being likely to weaken the protection of users of crypto-asset exchange services or hinder the provision of crypto-asset exchange services in a proper and steady manner.

(Measures for Customer Protection)

Article 63-10 (1) A crypto-asset exchange service provider must, pursuant to the provisions of Cabinet Office Order, provide explanation concerning the characteristics of crypto-assets used in the business, and information about fees and other terms and conditions of contracts pertaining to the crypto-asset exchange service, and take other measures necessary for protecting the users of crypto-asset exchange services and ensuring the provision of the crypto-asset exchange services in a proper and steady manner.

(2) When a crypto-asset exchange service provider exchanges crypto-assets, etc.

by granting credit to the user of crypto-asset exchange service, the crypto-asset exchange service provider must provide information on the terms and conditions of contracts pertaining to exchange of crypto-assets, etc. and other measures necessary for protecting the users of business pertaining to exchange of crypto-assets, etc. and ensuring the operation of the business in a proper and steady manner, in addition to the measures prescribed in the preceding paragraph, pursuant to the provisions of Cabinet Office Order.

(Management of Users' Property)

- Article 63-11 (1) A crypto-asset exchange service provider must, in connection with its crypto-asset exchange services, manage the money of the users of crypto-asset exchange services separately from its own money and entrust the users' money with a trust company, etc., pursuant to the provisions of Cabinet Office Order.
- (2) A crypto-asset exchange service provider must, in connection with its crypto-asset exchange services, manage the crypto-assets of the users of the crypto-asset exchange services separately from its own crypto-assets, pursuant to the provisions of Cabinet Office Order. In this case, the crypto-asset exchange service provider must manage users' crypto-assets (excluding crypto-assets that satisfy the requirements specified by Cabinet Office Order as being necessary for ensuring the convenience of users and achieving smooth provision of crypto-asset exchange services) by the method specified by Cabinet Office Order as being less likely to weaken the protection of users.
- (3) A crypto-asset exchange service provider must, pursuant to the provisions of Cabinet Office Order, undergo a periodic audit by a certified public accountant (including certified foreign public accountant specified in Article 16-2, paragraph (5) of the Certified Public Accountants Act; the same applies in Article 63-14, paragraph (3)) or by an audit corporation, with regard to the state of management under the provisions of the preceding two paragraphs.

(Performance-Guarantee Crypto-Assets)

- Article 63-11-2 (1) A crypto-asset exchange service provider must hold crypto-assets of the same type and same volume as the crypto-assets that satisfy the requirements specified by Cabinet Office Order prescribed in paragraph (2) of the preceding Article (hereinafter referred to as the "performance-guarantee crypto-assets" in this paragraph and Article 63-19-2, paragraph (1)) as its own crypto-assets and manage them separately from its own crypto-assets other than the performance-guarantee crypto-assets, pursuant to the provisions of Cabinet Office Order. In this case, the crypto-asset exchange service provider must manage the performance-guarantee crypto-assets by the method specified by Cabinet Office Order as being less likely to weaken the protection of users.

(2) The provisions of paragraph (3) of the preceding Article apply mutatis mutandis to the status of the management under the provisions of the preceding paragraph.

(Obligation to Conclude Contract with Designated Dispute Resolution Organizations for Crypto-Asset Exchange Business)

Article 63-12 (1) A crypto-asset exchange service provider must take the measures specified in the following items according to the categories of cases prescribed therein:

- (i) if one or more designated dispute resolution organizations for crypto-asset exchange business (meaning designated dispute resolution organizations of which type of dispute resolution services is crypto-asset exchange business; hereinafter the same applies in this Article) exist: measures to conclude a basic contract for execution of procedures with a designated dispute resolution organization for crypto-asset exchange business (meaning a basic contract for execution of procedures prescribed in Article 99, paragraph (1), item (viii); the same applies in the following paragraph) pertaining to the crypto-asset exchange service; or
- (ii) if no designated dispute resolution organization for crypto-asset exchange business exists: complaint processing measures and dispute resolution measures pertaining to the crypto-asset exchange service.

(2) If a crypto-asset exchange service provider implements measures to conclude a basic contract for execution of procedures pursuant to the provisions of the preceding paragraph, the crypto-asset exchange service provider must announce the trade name or other name of the designated dispute resolution organization for crypto-asset exchange business that is the counterparty to the basic contract for execution of procedures.

(3) The provisions of paragraph (1) do not apply during the period specified in the following items for the respective categories of cases prescribed therein:

- (i) if a crypto-asset exchange service provider who fell under the case set forth in paragraph (1), item (i) when the crypto-asset exchange service provider falls under the case set forth in paragraph (1), item (ii): a period specified by the prime minister as the period necessary for taking measures specified in paragraph (1), item (ii) when permission is given for the discontinuation of the dispute resolution services referred to in Article 52-83, paragraph (1) of the Banking Act as applied mutatis mutandis pursuant to Article 101, paragraph (1) following the deemed replacement of terms or when the designation is revoked pursuant to the provisions of Article 100, paragraph (1);
- (ii) if a crypto-asset exchange service provider who falls under the case set forth in paragraph (1), item (i), when permission is given for the

- discontinuation of the dispute resolution services provided by the designated dispute resolution organization for crypto-asset exchange business referred to in that item pursuant to the provision of Article 52-83, paragraph (1) of the Banking Act as applied mutatis mutandis pursuant to Article 101, paragraph (1) following the deemed replacement of terms or when the designation under the provisions of Article 99, paragraph (1) of the designated dispute resolution organization for crypto-asset exchange business referred to in that item is revoked pursuant to the provisions of Article 100, paragraph (1) (excluding the case specified in the preceding item): a period specified by the prime minister as the period necessary for taking measures specified in paragraph (1), item (i) when the permission is given or the designation is revoked; or
- (iii) if a crypto-asset exchange service provider falls under the case set forth in paragraph (1), item (ii), when the crypto-asset exchange service provider falls under the case set forth in paragraph (1), item (i): a period specified by the prime minister as the period necessary for taking measures specified in paragraph (1), item (i) when designated pursuant to the provisions of Article 99, paragraph (1).
- (4) The term "complaint processing measures" as used in paragraph (1), item (ii) means to have a person specified by Cabinet Office Order as one who has expert knowledge and experience with regard to consultation regarding complaints on consumer affairs that the consumer made against the service provider or in other areas of consumer affairs to engage in the provision of advice or guidance to employees or other workers who engage in the business of processing complaints from the users or any other measures specified by Cabinet Office Order as similar thereto.
- (5) The term "dispute resolution measures" as used in paragraph (1), item (ii) means to seek resolution of a dispute with the user through the authorized dispute resolution procedures (meaning the authorized dispute resolution procedures prescribed in Article 2, item (iii) of the Act on Promoting the Use of Alternative Dispute Resolution) or any other measures specified by Cabinet Office Order as similar thereto.

Section 3 Supervision

(Books of Accounts and Documents)

Article 63-13 A crypto-asset exchange service provider must, pursuant to the provisions of Cabinet Office Order, prepare and maintain the books of accounts and documents on its crypto-asset exchange business.

(Written Reports)

- Article 63-14 (1) A crypto-asset exchange service provider must, pursuant to the provisions of Cabinet Office Order, prepare a written report on its crypto-asset exchange business for each business year and submit it to the prime minister.
- (2) In addition to the written reports specified in the preceding paragraph, a crypto-asset exchange service provider (limited to one who engages in the act set forth in Article 2, paragraph (7), item (iii) or (iv)) must, pursuant to the provisions of Cabinet Office Order, prepare a written report on the amount of users' money and the volumes of users' crypto-assets under the management in connection with the crypto-asset exchange services and other particulars concerning the management of these amounts for each period specified by Cabinet Office Order, and submit it to the prime minister.
- (3) Documents concerning finance, an audit report prepared by a certified public accountant or audit corporation regarding these documents, and other documents specified by Cabinet Office Order must be attached to the written report referred to in paragraph (1).
- (4) Documents proving the amount of users' money and the volumes of users' crypto-assets under the management in connection with the crypto-asset exchange services and other documents specified by Cabinet Office Order must be attached to the written report referred to in paragraph (2).

(On-Site Inspections)

- Article 63-15 (1) When the prime minister finds it necessary for the proper and secure conduct of the crypto-asset exchange service, the minister may order a crypto-asset exchange service provider to submit reports or materials that will be helpful for understanding its business or property, or have officials enter the business office or other establishment of that crypto-asset exchange service provider, ask questions about the status of its business or property or inspect its books and documents or other items.
- (2) When the prime minister finds it particularly necessary for the provision of the crypto-asset exchange service in a proper and steady manner, the minister may, to the extent necessary for this, order a person to whom business has been entrusted by the crypto-asset exchange service provider (including persons to whom the service has been entrusted by the entrusted person (including those under multi-tier entrustment arrangements); hereinafter the same applies in this Article) to submit reports or materials that can be used as reference for the business or property of that crypto-asset exchange service provider, or have officials enter the business office, office or other establishment of the person to whom business has been entrusted by that crypto-asset exchange service provider, ask questions about the status of its business or the property of that crypto-asset exchange service provider or inspect its books and documents or other items.

- (3) A person to whom business has been entrusted by a crypto-asset exchange service provider referred to in the preceding paragraph may, if there are reasonable grounds for doing so, refuse the submission of reports or materials, or the questions or inspection referred to in that paragraph.

(Order to Improve Business Operations)

Article 63-16 When the prime minister finds it necessary for the provision of the crypto-asset exchange service in a proper and steady manner, the minister may, to the extent necessary for this, order a crypto-asset exchange service provider to take necessary measures to improve the operation of its business or its financial status or take other measures necessary for the supervision.

(Revocation of Registration)

Article 63-17 (1) If a crypto-asset exchange service provider falls under any of the following items, the prime minister may revoke its registration referred to in Article 63-2 or order the crypto-asset exchange service provider to suspend all or part of its crypto-asset exchange service, specifying a period of suspension not exceeding six months:

- (i) the crypto-asset exchange service provider falls under any of the items of Article 63-5, paragraph (1);
 - (ii) the crypto-asset exchange service provider referred to in Article 63-2 has been registered through wrongful means; or
 - (iii) the crypto-asset exchange service provider violates this Act or an order under this Act, or a disposition under this Act or an order.
- (2) If the locations of business offices of a crypto-asset exchange service provider are not ascertained or the whereabouts of the director or executive officer representing the crypto-asset exchange service provider (in cases of a crypto-asset exchange service provider that is a foreign crypto-asset exchange service provider, the representative person in Japan) is not ascertained, the prime minister gives public notice to that effect pursuant to the provisions of Cabinet Office Order and may revoke the registration of the crypto-asset exchange service provider referred to in Article 63-2 if it fails to report within thirty days from the date of the public notice.
- (3) The provisions of Chapter III of the Administrative Procedure Act do not apply to disposition under the provisions of the preceding paragraph.

(Deletion of Registration)

Article 63-18 If the prime minister revokes the registration referred to in Article 63-2 pursuant to provisions of paragraph (1) or (2) of the preceding Article or when the registration referred to in Article 63-2 ceases to be effective pursuant to the provisions of Article 63-20, paragraph (2), the minister must delete the

registration.

(Public Notice of Supervisory Dispositions)

Article 63-19 If the prime minister implements a disposition pursuant to the provisions of Article 63-17, paragraph (1) or (2), the minister must give public notice to that effect pursuant to the provisions of Cabinet Office Order.

Section 4 Miscellaneous Provisions

(Payment for Regulated Crypto-Assets)

Article 63-19-2 (1) A person who has concluded a contract for the management of crypto-assets with a crypto-asset exchange service provider has the right to receive, in preference over other creditors, payments with regard to a claim for the transfer of crypto-assets that the person holds against the crypto-asset exchange service provider, for the return of the regulated crypto-assets (meaning the crypto-assets of the users of the crypto-asset exchange services that the crypto-asset exchange service provider manages separately from its own crypto-assets pursuant to the provisions of Article 63-11, paragraph (2) and the performance-guarantee crypto-assets).

(2) The provisions of Article 333 of the Civil Code (Act No. 89 of 1896) apply *mutatis mutandis* to the right referred to in the preceding paragraph.

(3) Particulars necessary for the fulfillment of the right prescribed in paragraph (1) are specified by Cabinet Order.

(Cooperation for Payment for Target Crypto-Assets)

Article 63-19-3 If a person to whom a crypto-asset exchange service has been entrusted by a crypto-asset exchange service provider or any other related person of the crypto-asset exchange service provider is requested by the prime minister to extend their cooperation necessary for the fulfillment of the right referred to in paragraph (1) of the preceding Article pertaining to users' crypto-assets managed by the person in relation to the crypto-asset exchange service provided by the crypto-asset exchange service provider, the person is to endeavor to respond to the request.

(Notification of Discontinuation of Business)

Article 63-20 (1) If a crypto-asset exchange service provider falls under any of the following items, it must notify the prime minister to that effect without delay:

(i) the crypto-asset exchange service provider discontinues all or part of the crypto-asset exchange service; or

(ii) a petition for commencement of bankruptcy proceedings, etc. is filed against

- a crypto-asset exchange service provider.
- (2) If a crypto-asset exchange service provider discontinues all of the crypto-asset exchange service, the registration of the crypto-asset exchange service provider referred to in Article 63-2 ceases to be effective.
 - (3) If a crypto-asset exchange service provider intends to discontinue all or part of the crypto-asset exchange service, to transfer all or part of the crypto-asset exchange service, to implement a merger (limited to a merger in which the crypto-asset exchange service provider disappears), to dissolve for reasons other than a merger or an order to commence bankruptcy proceedings, or to have another service provider succeed all or part of the crypto-asset exchange services due to a company split, it must give public notice to that effect at least thirty days prior to the relevant date and post a notice thereof in a place easily seen by the public at all of its business offices, pursuant to the provisions of Cabinet Office Order.
 - (4) Having given public notice pursuant to the provisions of the preceding paragraph, a crypto-asset exchange service provider must notify the prime minister to that effect immediately.
 - (5) Having given public notice pursuant to the provisions of paragraph (3) (excluding cases where a crypto-asset exchange service provider has given public notice concerning the succession of the relevant business by way of transfer of business, merger or company split, or for other reasons), it must promptly complete the performance of obligations borne by it in relation to the exchange of crypto-assets, etc. carried out in the course of the crypto-asset exchange services that it intends to discontinue, and promptly return the users' property under the management relating to the crypto-asset exchange services or transfer the property to users.
 - (6) The provisions of Article 940, paragraph (1) (limited to the part pertaining to item (i)) and Article 940, paragraph (3) of the Companies Act apply mutatis mutandis to cases where a crypto-asset exchange service provider (excluding a foreign crypto-asset exchange service provider) gives public notice under the provisions of paragraph (3) by way of electronic public notice (meaning electronic public notice specified in Article 2, item (xxxiv) of that Act; the same applies in the following paragraph). In this case, any necessary technical replacement of terms is specified by Cabinet Order.
 - (7) The provisions of Article 940, paragraph (1) (limited to the part pertaining to item (i)) and Article 940, paragraph (3), Article 941, Article 946, Article 947, Article 951, paragraph (2), Article 953, and Article 955 of the Companies Act apply mutatis mutandis to cases where a crypto-asset exchange service provider that is a foreign crypto-asset exchange service provider gives public notice under the provisions of paragraph (3) by way of electronic public notice. In this case, any necessary technical replacement of terms is specified by

Cabinet Order.

(Completion of Performance of Obligations Due to Revocation of Registration)

Article 63-21 With regard to a crypto-asset exchange service provider, when the registration referred to in Article 63-2 has been revoked pursuant to the provisions of Article 63-17, paragraph (1) or (2) or has ceased to be effective pursuant to the provisions of paragraph (2) of the preceding Article, the person who has been the crypto-asset exchange service provider is deemed to be a crypto-asset exchange service provider within the scope of the purpose of completing the performance of obligations borne by it in relation to the exchange of crypto-assets, etc. carried out by it in the course of the crypto-asset exchange service, and returning the users' property under the management relating to the crypto-asset exchange services carried out by it or transferring the property to users.

(Prohibition on Solicitation by Foreign Crypto-Asset Exchange Service Providers)

Article 63-22 A un registered foreign crypto-asset exchange service provider referred to in Article 63-2 must not engage in acts of solicitation of a person in Japan set forth in the items of Article 2, paragraph (7).

Chapter IV Clearing Funds Transfer Transactions

Section 1 General Provisions

(Licenses for Clearing Institutions for Interbank Funds Transfers)

Article 64 (1) No person may provide clearing services for interbank funds transfers unless the person has obtained a license from the prime minister.
(2) The provisions of the preceding paragraph do not apply to deposit-taking institutions and the Bank of Japan.

(Filing of Application for License)

Article 65 (1) A person who intends to obtain a license referred to in paragraph (1) of the preceding Article must, pursuant to the provisions of Cabinet Office Order, submit a written application for license containing the following particulars to the prime minister:

- (i) trade name or other name and address;
- (ii) amount of capital or funds (meaning funds specified in Article 131 of the Act on General Incorporated Association and General Incorporated Foundation (Act No. 48 of 2006)) and amount of net assets;
- (iii) name and location of business offices or offices;
- (iv) name of director and company auditor (director in cases of a company

- which formed an audit and supervisory committee; director and executive officer in cases of a company which formed a nominating committee, etc.; the same applies in paragraph (2), item (iv) of the following Article) or board member and auditor;
- (v) in cases of a company which appointed accounting advisors, names of accounting advisors; and
 - (vi) other particulars specified by Cabinet Office Order.
- (2) The following documents must be attached to the written application for a license referred to in the preceding paragraph:
- (i) a document to pledge that the applicant does not fall under any of the items of paragraph (2) of the following Article;
 - (ii) articles of incorporation;
 - (iii) certificate of registered particulars;
 - (iv) rules and procedures of operation;
 - (v) balance sheet and profit and loss statement;
 - (vi) documents stating the expected income and expenditure; and
 - (vii) other documents specified by Cabinet Office Order.

(Criteria for Granting a License)

- Article 66 (1) When an application for license referred to in paragraph (1) of the preceding Article is filed, the prime minister must examine whether the application conforms to the following criteria:
- (i) the provisions of the articles of incorporation and the rules and procedures of operation conform to the laws and regulations, and are sufficient for the provision of the clearing services for interbank funds transfer in a proper and steady manner;
 - (ii) the applicant has sufficient financial foundation for the sound operation of the clearing services for interbank funds transfer and has favorable prospects for income and expenditure pertaining to the clearing services for interbank funds transfer; and
 - (iii) the applicant has, in light of its personnel structures, the knowledge and experience necessary for the provision of the clearing services for interbank funds transfer in a proper and steady manner and has sufficient social credibility.
- (2) The prime minister must not grant a license when an applicant for a license falls under any of the following items, or a written application for license or its accompanying documents contain a false statement, or lacks a statement about important particulars:
- (i) a person who is not a stock company or a general incorporated association (limited to a stock company or a general incorporated association which formed any of the following bodies):

- (a) board of directors or council;
 - (b) company auditors, an audit and supervisory committee or a nominating committee, etc. (meaning a nominating committee, etc. provided for in Article 2, item (xii) of the Companies Act) or auditors; or
 - (c) accounting auditors;
- (ii) a corporation who had its registration referred to in Article 37 revoked pursuant to the provisions of Article 56, paragraph (1) or (2), had its license referred to in Article 64, paragraph (1) revoked pursuant to the provisions of Article 82, paragraph (1) or (2), or had the registration or license of the same type in a foreign state (including permission or other administrative dispositions similar to the registration or license) revoked pursuant to the provisions of laws and regulations of the foreign state equivalent to this Act or the Banking Act, etc., and for whom five years have not elapsed from the date of the revocation;
 - (iii) a corporation who has been punished by a fine (including a punishment pursuant to laws and regulations of a foreign state equivalent to this) for violating the provisions of this Act, the Banking Act, or laws and regulations of a foreign state equivalent thereto, and for which five years have not elapsed from the day on which the execution of the sentence ended or from the day on which the sentence ceased to be executed;
 - (iv) a corporation which employs a director, etc. (meaning a director or company auditor or accounting advisor, or board member or auditor; hereinafter the same applies in this Chapter) falling under any of the following items:
 - (a) a person specified by Cabinet Office Order as being unable to properly perform their duties due to a mental or physical disorder;
 - (b) a person who has not had their rights restored after receiving an order to commence bankruptcy proceedings, or a person equivalent thereto pursuant to laws and regulations of a foreign state;
 - (c) a person who has been sentenced to imprisonment without work or a heavier punishment (including equivalent punishment pursuant to laws and regulations of a foreign state), and for whom five years have not elapsed from the day on which the execution of the sentence ended or from the day on which the sentence ceased to be executed;
 - (d) a person who has been punished by a fine (including a punishment under laws and regulations of a foreign state equivalent to this) for violating the provisions of this Act, the Banking Act, etc., the Act Regulating the Receipt of Contributions, Receipt of Deposits, and Interest Rates, the Act on Prevention of Unjust Acts by Organized Crime Group Members or laws and regulations of a foreign state equivalent thereto, and for whom five years have not elapsed from the day on which the execution of the sentence

- ended or from the day on which the sentence ceased to be executed;
- (e) if a clearing institution for interbank funds transfer had its license referred to in Article 64, paragraph (1) revoked pursuant to the provisions of Article 82, paragraph (1) or (2) or a corporation had its license or registration (including permission or other administrative dispositions similar to the license or registration) of the same kind revoked in a foreign state pursuant to the provisions of laws and regulations of the foreign state equivalent to this Act, a person who had been a director, etc. of the corporation at any time during the thirty days prior to the date of the revocation and for whom five years have not passed from the relevant date or a person specified by Cabinet Order as similar thereto.

(Grounds for Disqualification of Directors)

Article 67 (1) A person falling under any of paragraph (2), item (iv), (a) through (e) of the preceding Article may not become a director, etc.:

- (2) When a director, etc. of a clearing institution for interbank funds transfer falls under a category of a person prescribed in the preceding paragraph, the director, etc. loses their position.
- (3) When a director, etc. of a clearing institution for interbank funds transfer violates laws and regulations or a disposition under laws and regulations by government agencies, the prime minister may order the clearing institution for interbank funds transfer to dismiss the director, etc.

(Application of the Companies Act)

Article 68 (1) The provisions of the proviso to Article 331, paragraph (2) (including as applied mutatis mutandis pursuant to Article 335, paragraph (1) of the Companies Act), Article 332, paragraph (2) (including as applied mutatis mutandis pursuant to Article 334, paragraph (1) of that Act), Article 336, paragraph (2), and the proviso to Article 402, paragraph (5) of the Companies Act do not apply to a clearing institution for interbank funds transfer that is a stock company.

- (2) With regard to the application of Article 458 of the Companies Act to a clearing institution for interbank funds transfer that is a stock company, the term "three million yen" in that Article are deemed to be replaced with "an amount specified by Cabinet Order which may not be less than three million yen".

Section 2 Business

(Restriction on Business)

Article 69 (1) A clearing institution for interbank funds transfer must not

engage in any business other than the clearing services for interbank funds transfer and business related thereto; provided, however, that this does not apply if a clearing institution for interbank funds transfer has obtained, pursuant to the provisions of Cabinet Office Order, the approval from the prime minister for a business that is obviously causing no hindrance to the provision of the clearing services for interbank funds transfer in a proper and steady manner by the clearing institution for interbank funds transfer.

- (2) Having discontinued the approved business referred to in the proviso to the preceding paragraph, a clearing institution for interbank funds transfer must notify the prime minister to that effect pursuant to the provisions of Cabinet Office Order.

(Partial Entrustment of Clearing Services for Interbank Funds Transfer)

Article 70 (1) A clearing institution for interbank funds transfer may, pursuant to the provisions of Cabinet Office Order, entrust part of the clearing services for interbank funds transfer to a third party with the approval of the prime minister.

- (2) A clearing institution for interbank funds transfer must set the requirements for a contract for the partial entrustment of the clearing services for interbank funds transfer under the provisions of the preceding paragraph that the party to whom business is entrusted must take measures to conduct the business in a proper and steady manner.

(Rules and Procedures of Operation)

Article 71 (1) A clearing institution for interbank funds transfer must provide the clearing services for interbank funds transfer pursuant to the provisions of its rules and procedures of operation.

- (2) The rules and procedures of operation must specify the following particulars:
- (i) type of transactions that give rise to obligations subject to the clearing services for interbank funds transfer;
 - (ii) particulars concerning the requirements for a person who is the other party to the clearing services for interbank funds transfer (hereinafter referred to as the "clearing participant" in this Chapter);
 - (iii) particulars concerning the assumption of obligations, novation, and other means carried out in the course of the clearing services for interbank funds transfer;
 - (iv) particulars concerning the securing of performance of obligations of a clearing participant;
 - (v) particulars concerning the securing of continued provision of the clearing services for interbank funds transfer;
 - (vi) if a clearing institution for interbank funds transfer engages in business

- other than the clearing services for interbank funds transfer and business related thereto, particulars concerning measures to ensure that the business will not prevent the provision of the clearing services for interbank funds transfer in a proper and steady manner;
- (vii) if a clearing institution for interbank funds transfer entrusts part of its clearing services for interbank funds transfer to a third party, particulars concerning the establishment of a system to ensure the operation of the entrusted business by the third party in a proper and steady manner;
 - (viii) if a clearing institution for interbank funds transfer concludes a contract for the clearing services for interbank funds transfer that contains important particulars specified by Cabinet Office Order with a foreign national or a corporation established under the laws and regulations of a foreign state, a statement to that effect; and
 - (ix) other particulars specified by Cabinet Office Order.

(Measures to Ensure Appropriate Provision of Clearing Services for Interbank Funds Transfer)

Article 72 A clearing institution for interbank funds transfer must prescribe that if any loss is caused by the clearing services for interbank funds transfer, all of the losses are borne by the clearing participant in its rules and procedures of operation and take other measures to ensure appropriate provision of the clearing services for interbank funds transfer.

(Payment and Settlement of Outstanding Obligations)

Article 73 (1) If a clearing institution for interbank funds transfer prescribes the methods to perform netting calculations, to apply collateral to payment of obligations, and other payment and settlement methods in its rules and procedures of operation, when a bankruptcy proceeding, rehabilitation proceeding, reorganization proceeding, special liquidation proceeding, or recognition and assistance proceeding has been started against a clearing participant, the method used to determine the amount of claims pertaining to outstanding obligations, etc. held by the clearing institution for interbank funds transferor the clearing participant and other payment and settlement methods used in relation to these proceedings are to be governed by those rules and procedures of operation.

(2) The term "outstanding obligations, etc." as used in the preceding paragraph means obligations borne in the course of the clearing services for interbank funds transfer to a clearing participant by way of assumption, novation, or other means, claims against that clearing participant (limited to those having the same content as those obligations) acquired as consideration for bearing those obligations, and security of those claims.

(3) In bankruptcy proceedings, rehabilitation proceedings or reorganization proceedings, the claims specified in paragraph (1) that a clearing institution for interbank funds transfer has, are bankruptcy claims, rehabilitation claims, or reorganization claims, and the claims specified in paragraph (1) that a clearing participant has, are the properties that belong to the bankruptcy estate, rehabilitation debtor's assets, or the property of the reorganization company, or the property of the reorganization cooperative financial institution.

(Obligation of Confidentiality)

Article 74 (1) A director, etc. (or, if a director, etc. is a corporation, a person who is to perform the duties; the same applies in the following paragraph) or an employee of a clearing institution for interbank funds transfer, or a person who was formerly in that position must not divulge or misappropriate any confidential information learned during the course of their duties relating to the clearing services for interbank funds transfer or other business related thereto to another person.

(2) A director, etc. or an employee of a clearing institution for interbank funds transfer, or a person who was formerly in that position must not use any information learned during the course of their duties relating to the clearing services for interbank funds transfer or other business related thereto for any purpose other than using those for the clearing services for interbank funds transfer or other business related thereto.

(3) The provisions of the preceding two paragraphs apply mutatis mutandis to a person to whom business is entrusted pursuant to the provisions of Article 70, paragraph (1) (or, if the person is a corporation; its officers) or the person's employees and other persons who engage in the entrusted business, or persons who were formerly in that position.

(Prohibition of Discriminatory Treatment)

Article 75 A clearing institution for interbank funds transfer must not provide unjust discriminatory treatment to a particular person in relation to the clearing services for interbank funds transfer.

Section 3 Supervision

(Authorization of Amendment to Articles of Incorporation or Rules and Procedures of Operation)

Article 76 When a clearing institution for interbank funds transfer intends to amend the articles of incorporation or rules and procedures of operation, it must obtain the authorization from the prime minister.

(Notification of Changes to the Amount of Stated Capital)

Article 77 When any of the particulars set forth in Article 65, paragraph (1), item (ii) are changed (excluding the amount of net assets) or items (iii) through (v) of that paragraph, a clearing institution for interbank funds transfer must notify the prime minister to that effect without delay.

(Books of Account and Documents)

Article 78 A clearing institution for interbank funds transfer must, pursuant to the provisions of Cabinet Office Order, prepare and maintain the books and documents on its clearing services for interbank funds transfer.

(Written Reports)

Article 79 A clearing institution for interbank funds transfer must, pursuant to the provisions of Cabinet Office Order, prepare a written report on its clearing services for interbank funds transfer for each business year and submit it to the prime minister.

(On-Site Inspections)

Article 80 (1) When the prime minister finds it necessary for the provision of the clearing services for interbank funds transfer in a proper and steady manner, the prime minister may order that clearing institution for interbank funds transfer to submit reports or materials that can be used as reference for its business or property, or have officials enter the business office, office or other establishment of the clearing institution for interbank funds transfer, ask questions about the status of its business or property or inspect its books and documents or other items.

(2) When the prime minister finds it particularly necessary for the provision of the clearing services for interbank funds transfer in a proper and steady manner, the minister may, for the extent necessary for this, order a person to whom business has been entrusted by the clearing institution for interbank funds transfer (including persons to whom the service has been entrusted by the entrusted person (including multi-tier entrustment arrangements); hereinafter the same applies in this Article) to submit reports or materials that can be used as reference for the business or property of the clearing institution for interbank funds transfer, or have officials enter the business office, office or other establishment of the person to whom business has been entrusted by the clearing institution for interbank funds transfer, ask questions about the status of its business or property of the clearing institution for interbank funds transfer or inspect its books and documents or other items.

(3) A person to whom business has been entrusted by a clearing institution for interbank funds transfer referred to in the preceding paragraph may, if there

are reasonable grounds, refuse the submission of reports or materials, or the questions or inspection under the provisions of that paragraph.

(Order to Improve Business Operations)

Article 81 When the prime minister finds it necessary for the provision of clearing services for interbank funds transfer in a proper and steady manner, the minister may, to the extent necessary for this, order a clearing institution for interbank funds transfer to take necessary measures to improve the operation of its business or its financial status, or other measures necessary for the supervision.

(Revocation of Licenses)

Article 82 (1) If it turned out that a clearing institution for interbank funds transfer already falls under any of the items of Article 66, paragraph (2) when it obtained a license, the prime minister may revoke the license.

(2) The prime minister may, when a clearing institution for interbank funds transfer violates this Act or an order under this Act, or a disposition under this Act or the order, revoke the license referred to in Article 64, paragraph (1) or the approval referred to in the proviso to Article 69, paragraph (1), order suspension of all or part of the business of the clearing institution for interbank funds transfer by setting a period not exceeding six months, or order the clearing institution for interbank funds transfer to dismiss its directors, etc.

Section 4 Miscellaneous Provisions

(Approval of Dissolution)

Article 83 A resolution of abolition or dissolution of a clearing institution for interbank funds transfer does not come into effect without the approval of the prime minister.

(Consultation with the Minister of Finance)

Article 84 When the prime minister finds that maintenance of an orderly financial system may be materially affected by implementing any of the following dispositions on a clearing institution for interbank funds transfer, the minister must consult with the Minister of Finance about measures necessary for maintaining of an orderly financial system in advance:

- (i) revocation of the license referred to in Article 64, paragraph (1) under the provisions of Article 82, paragraph (1) or (2); or
- (ii) order to suspend all or part of the business pursuant to the provisions of Article 82, paragraph (2).

(Notice to the Minister of Finance)

Article 85 The prime minister is to, when implementing any of the following dispositions, promptly notify the Minister of Finance to that effect:

- (i) granting of a license referred to in Article 64, paragraph (1);
- (ii) revocation of the license referred to in Article 64, paragraph (1) pursuant to the provisions of Article 82, paragraph (1) or (2);
- (iii) order to suspend all or part of the business pursuant to the provisions of Article 82, paragraph (2); or
- (iv) approval under the provisions of Article 83.

(Hearing Opinion from the Bank of Japan)

Article 86 If the prime minister finds it necessary in order to reach a disposition based on the provisions of this Chapter, the minister may seek the opinion from the Bank of Japan.

Chapter V Associations for Certified Payment Service Providers

(Certification of Associations for Certified Payment Service Providers)

Article 87 The prime minister may, pursuant to the provisions of Cabinet Order, certify a general incorporated association established by an issuer of prepaid payment instruments, a funds transfer service provider or a crypto-asset exchange service provider that is found to satisfy the following requirements for a person who engages in the business prescribed in the following Article (hereinafter referred to as "certified businesses" in this Chapter) upon that person's application:

- (i) the general incorporated association aims to ensure the operation of the business of issuing prepaid payment instruments in a proper manner (meaning prepaid payment instruments specified in Article 3, paragraph (1); the same applies hereinafter in this Chapter), the funds transfer services or the crypto-asset exchange services as well as contributing to the sound development of these businesses and protection of the interests of the users (including member shops specified in Article 10, paragraph (1), item (iv); hereinafter the same applies in this Chapter);
- (ii) the general incorporated association's articles of incorporation include a provision to the effect that its members (hereinafter referred to as "members" in this Chapter) are issuers of prepaid payment instruments, funds transfer service providers or crypto-asset exchange service providers;
- (iii) the general incorporated association has established the means of business operations necessary for the operation of the certified businesses in a proper and steady manner; and

(iv) the general incorporated association has the knowledge, ability, and financial foundation sufficient for the operation of the certified businesses in a proper and steady manner.

(Business of Associations for Certified Payment Service Providers)

Article 88 An association for certified payment service providers is to engage in the following business:

- (i) the business of providing guidance, recommendation, etc. to the members for the purpose of having members to comply with the provisions of this Act and other laws and regulations and rules prescribed in item (iii) in carrying out their business of issuing prepaid payment instruments, funds transfer services or crypto-asset exchange services;
- (ii) the business of providing guidance, recommendation, etc. to the members in relation to their business of issuing prepaid payment instruments, funds transfer services or crypto-asset exchange services that is necessary for ensuring the appropriateness of the terms and conditions of contracts or otherwise protecting the interests of users of the business of issuing prepaid payment instruments, the funds transfer services or the crypto-asset exchange services;
- (iii) establishment of the rules that are necessary for the appropriate management of the business of issuing prepaid payment instruments, the funds transfer services or the crypto-asset exchange services carried out by the members and information used in these businesses;
- (iv) investigation of the status of compliance with this Act or an order under this Act or a disposition under this Act or the order, or the rules prescribed in the preceding item;
- (v) collection, organization, and provision of information necessary for the protection of the interests of users of the business of issuing prepaid payment instruments, the funds transfer services or the crypto-asset exchange services;
- (vi) handling of complaints from users related to the business of issuing prepaid payment instruments, the funds transfer services or the crypto-asset exchange services carried out by Members;
- (vii) publicity to the users of prepaid payment instruments, the funds transfer services or the crypto-asset exchange services and other businesses necessary for the achievement of the purposes of the association for certified payment service providers; and
- (viii) beyond what is set forth in the preceding items, businesses that contribute to the sound development of the business of issuing prepaid payment instruments, the funds transfer services or the crypto-asset exchange services and the protection of the users of these businesses.

(Public Inspection of Membership List)

Article 89 (1) An association for certified payment service providers must make its membership list available for public inspection.

(2) No person other than an association for certified payment service providers may use a wording in its name that is likely to mislead the public into believing that the person is an association for certified payment service providers.

(3) No person other than a member of an association for certified payment service providers may use a wording in its name that is likely to mislead the public into believing that the person is a member of an association for certified payment service providers.

(Making Information About Members Known to Users)

Article 90 (1) An association for certified payment service providers whose members are issuers of prepaid payment instruments must, upon request from an issuer of prepaid payment instruments for making the particulars listed in Article 13, paragraph (1), item (iv), and other particulars specified by Cabinet Office Order public to the users of those prepaid payment instruments, make those particulars known to the users.

(2) An association for certified payment service providers must have the ability to provide the users of prepaid payment instruments, the funds transfer services or the crypto-asset exchange services with some of the information that help protect the users provided by the prime minister pursuant to the provisions of Article 97.

(Responses to Complaints from Users)

Article 91 (1) When a user of prepaid payment instruments, funds transfer services or crypto-asset exchange services files an application for resolution of a complaint concerning the business of issuing prepaid payment instruments, funds transfer services or crypto-asset exchange services carried out by a member, an association for certified payment service providers must respond to requests for consultation, provide necessary advice to the applicant, investigate the circumstances pertaining to the complaint, and request the member to expedite the process by informing the details of the complaint.

(2) When an association for certified payment service providers finds it necessary for resolving a complaint pertaining to an application referred to in the preceding paragraph, it may request the relevant member to provide a written or oral explanation or submit materials.

(3) When an association for certified payment service providers makes a request to a member pursuant to the provisions of the preceding paragraph, the

member must not refuse this without reasonable grounds.

- (4) An association for certified payment service providers must make applications referred to in paragraph (1), circumstances pertaining to the complaints, and the outcome of any resolution known to the members.
- (5) If an association for certified payment service providers is designated pursuant to the provisions of Article 99, paragraph (1), when the application referred to in paragraph (1) is related to complaints concerning the types of dispute resolution services pertaining to the designation, the provisions of paragraph (1) do not apply.

(Reports to Associations for Certified Payment Service Providers)

Article 92 (1) When a member obtains information about conduct in which an issuer of prepaid payment instruments, funds transfer service provider or crypto-asset exchange service provider engages that weakens the protection of users and other information necessary for the protection of the interests of users as specified by Cabinet Office Order, it must report this to the association for certified payment service providers of which membership they hold.

- (2) Upon receipt of a request made by a member to provide the information held by an association for certified payment service providers referred to in the preceding paragraph, it must provide the member with the information except when there are reasonable grounds for refusal.

(Confidentiality Obligation)

Article 93 (1) An officer or an employee of an association for certified payment service providers, or a person who was formerly in that position must not divulge or misappropriate any confidential information learned in the course of their duties to any person.

- (2) An officer or an employee of an association for certified payment service providers, or a person who was formerly in that position must not use any information learned in the course of their duties for purposes other than the purpose of providing this information for the certified business.

(Particulars Which Must Be Included in Articles of Incorporation)

Article 94 Beyond what is set forth in items of Article 11, paragraph (1) of the Act on General Incorporated Association and General Incorporated Foundation and a provision of the articles of incorporation prescribed in Article 87, item (ii), an association for certified payment service providers must, in its articles of incorporation, if its member violates this Act or an order under this Act or a disposition under this Act or the order, or the rules prescribed in Article 88, item (iii), the association for certified payment service providers suspends or

restricts the rights of the Member under the articles of incorporation, or expel the member from the association.

(On-Site Inspections)

Article 95 The prime minister may, to the extent necessary for the enforcement of this Act, order an association for certified payment service providers to submit reports or materials that can be used as reference for its business or property, or have officials enter the office of the association for certified payment service providers, ask questions about the status of its business or property or inspect its books and documents or other items.

(Supervisory Order to Association for Certified Payment Service Providers)

Article 96 (1) If the prime minister finds it necessary to improve operations of the certified businesses carried out by an association for certified payment service providers, the minister may, to the extent necessary for the enforcement of this Act, order the association for certified payment service providers to take necessary measures for improving its operations.

(2) If operations of a business carried out by an association for certified payment service providers violate this Act or an order under this Act or a disposition under this Act or the order, the prime minister may revoke its certification or order the association for certified payment service providers to suspend all or part of its business, by setting a period for suspension not exceeding six months.

(Provision of Information to Associations for Certified Payment Service Providers)

Article 97 The prime minister may, in response to a request from an association for certified payment service providers and to the extent necessary for ensuring the operations of certified businesses in a proper and steady manner by the association for certified payment service providers, provide the association for certified payment service providers with information pertaining to an issuer of prepaid payment instruments, funds transfer service providers or crypto-asset exchange service providers that contributes to the certified businesses as specified by Cabinet Office Order.

(Public Notices)

Article 98 If the prime minister certifies a person pursuant to the provisions of Article 87, or revokes the certification pursuant to the provisions of Article 96, paragraph (2), or orders to suspend all or part of the certified businesses, the minister must give public notice to that effect, pursuant to the provisions of Cabinet Office Order.

Chapter VI Designated Dispute Resolution Organizations

(Designation of Persons That Provide Dispute Resolution Services)

Article 99 (1) The prime minister may designate a person satisfying the following requirements for a person that provides dispute resolution services upon their application:

- (i) the person is a corporation (including an association or foundation without juridical personality for which the representative person or administrator has been designated, but excluding a corporation established under the laws and regulations of a foreign state and other foreign organizations; the same applies in item (iv), (d));
- (ii) the person is not a person who had its designation referred to in this paragraph revoked pursuant to the provisions of paragraph (1) of the following Article and for whom five years have not elapsed from the date of the revocation, or a person who had its designation under the provisions of another Act, which is pertaining to a business equivalent to dispute resolution services specified by Cabinet Order, revoked and for whom five years have not elapsed from the date of the revocation;
- (iii) the person is not a person who has been punished by a fine (including a punishment under laws and regulations of a foreign state equivalent to this) for violating the provisions of this Act, the Banking Act, the Attorneys Act (Act No. 205 of 1949), or laws and regulations of a foreign state equivalent thereto, and for whom five years have not elapsed from the day on which the execution of the sentence ended or from the day on which the sentence ceased to be executed;
- (iv) none of the officers fall under any of the following items:
 - (a) a person specified by Cabinet Office Order as being unable to properly perform their duties pertaining to dispute resolution services due to a mental or physical disorder;
 - (b) a person who has not had their rights restored after receiving an order to commence bankruptcy proceedings, or a person equivalent thereto under laws and regulations of a foreign state;
 - (c) a person who has been sentenced to imprisonment or heavier punishment (including equivalent punishment under laws and regulations of a foreign state), and for whom five years have not elapsed from the day on which the execution of the sentence ended or from the day on which the sentence ceased to be executed;
 - (d) if a corporation had its designation referred to in this paragraph revoked pursuant to the provisions of paragraph (1) of the following Article, or a corporation had its administrative disposition similar to the designation,

that had been implemented in a foreign state pursuant to the provisions of laws and regulations of the foreign state equivalent to this Act revoked, a person who had been an officer (including a person treated in the same manner under laws and regulations of a foreign state; the same applies in (d)) of the corporation at any time during the one month prior to the date of the revocation and for whom five years have not elapsed from the relevant date; or if a corporation had its designation under the provisions of another Act for business equivalent to the dispute resolution services as specified by Cabinet Order revoked, or a corporation had its administrative disposition similar to a designation specified by the Cabinet Order, that had been implemented in a foreign state pursuant to the provisions of laws and regulations of the foreign state equivalent to the other Act revoked, a person who had been an officer of the corporation at any time during the one month prior to the date of revocation and for whom five years have not elapsed from the relevant date; or

- (e) a person who has been punished by a fine (including a punishment under laws and regulations of a foreign state equivalent to this) for violating the provisions of this Act, the Banking Act, the Attorneys Act, or laws and regulations of a foreign state equivalent thereto, and for whom five years have not elapsed from the day on which the execution of the sentence ended or from the day on which the sentence ceases to be executed;
- (v) the person has sufficient accounting and technical foundation to ensure the provision of the dispute resolution services in a proper and steady manner;
- (vi) the composition of the officers or employees of the person may not cause hindrance to the provision of dispute resolution services in a fair manner;
- (vii) rules concerning the execution of the dispute resolution services (hereinafter referred to as "operational rules" in this Chapter) are found to conform to laws and regulations and are sufficient to ensure the provision of the dispute resolution services in a fair and steady manner pursuant to the provisions of this Act; and
- (viii) as a result of opinions heard pursuant to the provisions of the following paragraph, the ratio of funds transfer service providers, etc. (meaning funds transfer service providers or crypto-asset exchange service providers; hereinafter the same applies in this Chapter) who filed an objection (limited to the one to which reasonable grounds are provided) to particulars concerning the cancellation of the basic contract for execution of procedures (meaning a contract that governs the provision of the dispute resolution services; hereinafter the same applies in this Chapter) and other terms and conditions for the basic contract for execution of procedures (excluding particulars listed in items of Article 52-67, paragraph (2) of the Banking Act as applied mutatis mutandis pursuant to Article 101, paragraph (1) following

the deemed replacement of terms) and other details of the Operational Rules (excluding particulars that must be included in the details of the Operational Rules pursuant to the provisions of Article 52-67, paragraph (3) of that Act as applied mutatis mutandis pursuant to Article 101, paragraph (1) following the deemed replacement of terms and particulars necessary for satisfying the criteria listed in the items of Article 52-67, paragraph (4) of that Act and paragraph (5), item (i) of that Article as applied mutatis mutandis pursuant to Article 101, paragraph (1) following the deemed replacement of terms) to the total number of funds transfer service providers, etc. was not more than a ratio specified by Cabinet Order.

- (2) A person intending to file a request referred to in the preceding paragraph must, pursuant to the provisions of Cabinet Office Order, provide funds transfer service providers, etc. with an explanation about the details of the Operational Rules in advance, hear their opinions with regard to whether they have any objection to the details (including the grounds for objection if they have any objection), and prepare a document containing the results of the hearing.
- (3) If the prime minister intends to designate a person pursuant to the provisions of paragraph (1), the minister must consult with the Minister of Justice in advance with regard to the fact that the applicant satisfies the requirements listed in items (v) through (vii) of that paragraph (limited to the part of requirements pertaining to the business of executing dispute resolution procedures, and with regard to the requirements listed in those items, limited to those pertaining to the criteria listed in the items of Article 52-67, paragraph (4) of the Banking Act and the items of paragraph (5) of that Article as applied mutatis mutandis pursuant to Article 101, paragraph (1) following the deemed replacement of terms).
- (4) The person is to be designated pursuant to the provisions of paragraph (1) according to the types of dispute resolution services, and the ratio referred to in item (viii) of that paragraph is to be calculated for the respective types of dispute resolution services.
- (5) If the prime minister designates a person pursuant to the provisions of paragraph (1), the minister must give public notice to that effect pursuant to the provisions of Cabinet Office Order.

(Revocation of Designations)

Article 100 (1) If a designated dispute resolution organization falls under any of the following items, the prime minister may revoke its designation under the provisions of paragraph (1) of the preceding Article or order the designated dispute resolution organization to suspend all or part of its business, by specifying a period for suspension not exceeding six months:

- (i) the designated dispute resolution organization no longer satisfies the requirements listed in paragraph (1), items (ii) through (vii) of the preceding Article or it turned out that the designated dispute resolution organization did not satisfy any of the items of that paragraph when it was designated;
 - (ii) the designated dispute resolution organization was designated pursuant to the provisions of paragraph (1) of the preceding Article through wrongful means; or
 - (iii) the designated dispute resolution organization violates laws and regulations or a disposition under the laws and regulations.
- (2) If a designated dispute resolution organization falls under any of the following items, when the prime minister intends to reach a disposition or issue an order pursuant to the provisions of the preceding paragraph, the minister must consult with the Minister of Justice in advance:
- (i) when the designated dispute resolution organization no longer satisfies the requirements listed in paragraph (1), items (v) through (vii) of the preceding Article (limited to the part of the requirements pertaining to the business of executing dispute resolution procedures, and with regard to the requirements listed in those items, limited to those pertaining to the criteria listed in items of Article 52-67, paragraph (4) of the Banking Act and items of paragraph (5) of that Article as applied mutatis mutandis pursuant to paragraph (1) of the following Article following the deemed replacement of terms; hereinafter the same applies in this item) or when it turned out that the designated dispute resolution organization did not satisfy any of paragraph (1), items (v) through (vii) of the preceding Article when it was designated pursuant to the provisions of that paragraph; or
 - (ii) when the designated dispute resolution organization violates the provisions of Article 52-65, Article 52-66, Article 52-69, or Article 52-73 of the Banking Act as applied mutatis mutandis pursuant to paragraph (1) of the following Article following the deemed replacement of terms (limited to cases where the violation pertains to the business of executing dispute resolution procedures).
- (3) A person who has had its designation under the provisions of paragraph (1) of the preceding Article revoked pursuant to the provisions of paragraph (1) or has received an order to suspend all or part of its business must, within two weeks from the date of the disposition or order, notify the parties to whom the complaint handling procedures or dispute resolution procedures prescribed in Article 52-83, paragraph (3) of the Banking Act as applied mutatis mutandis pursuant to paragraph (1) of the following Article following the deemed replacement of terms are being implemented as of the date of the disposition or order, funds transfer service providers, etc. other than the parties who are the other parties to the basic contract for execution of procedures, and other

designated dispute resolution organizations to the effect that it has received the disposition or order.

- (4) When the prime minister revokes the designation under the provisions of paragraph (1) of the preceding Article pursuant to the provisions of paragraph (1) or issues an order to suspend all or part of the relevant business, the minister must give public notice to that effect, pursuant to the provisions of Cabinet Office Order.

(Provisions of the Banking Act Applied Mutatis Mutandis to Designated Dispute Resolution Organizations)

Article 101 (1) The provisions of Article 2, paragraph (22) through Article 2, paragraph (25) and Article 52-63 through Article 52-83 of the Banking Act (including the penal provisions pertaining to these provisions; referred to as the "provisions of the Banking Act" in the following paragraph) apply mutatis mutandis to designated dispute resolution organizations. In this case, except in cases specified in the following paragraph, the terms in these provisions listed in the left-hand column of the table below are deemed to be replaced with the terms listed in the right-hand column of that table:

Complaints related to the banking business	Complaints related to the funds transfer service, etc.
Disputes related to the banking business	Disputes related to the funds transfer service, etc.
Participating banks	Participating funds transfer service providers, etc.
Customers	Users

- (2) If the provisions of the Banking Act Provisions apply mutatis mutandis to designated dispute resolution organizations, the terms or phrases listed in the middle column of the table below in the provisions of the Banking Act as listed in the left-hand column of that table are deemed to be replaced with the respective terms or phrases listed in the right-hand column of that table; and any other necessary technical replacement of terms are specified by Cabinet Order:

Article 52-63, paragraph (1)	Paragraph (1) of the preceding Article	Article 99, paragraph (1) of the Payment Services Act (Act No 59 of 2009)
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	The following particulars	Categories of dispute resolution services (meaning the categories of dispute resolution services prescribed in Article 2, paragraph (15) of that Act; the same applies in Article 52-73, paragraph (3), item (ii)) for which designation is applied, and the following particulars
Article 52-63, paragraph (2), item (i)	Paragraph (1), item (iii) of the preceding Article	Article 99, paragraph (1), item (iii) of the Payment Services Act
Article 52-63, paragraph (2), item (vi)	Paragraph (2) of the preceding Article	Article 99, paragraph (2) of the Payment Services Act
Article 52-73, paragraph (3), item (ii)	Banking Business	Business pertaining to exchange transactions if the category of dispute resolution services is a funds transfer business (meaning the funds transfer business prescribed in Article 2, paragraph (15) of the Payment Services Act); or business pertaining to the acts set forth in the items of paragraph (7) of that Article if the category of dispute resolution services is crypto-asset exchange services (meaning the crypto-asset exchange services prescribed in Article 2, paragraph (15) of that Act)
Article 52-74, paragraph (2)	Designation under Article 52-62, paragraph (1) has been revoked pursuant to Article 52-84, paragraph (1)	Designation under Article 99, paragraph (1) of the Payment Services Act has been rescinded pursuant to Article 100, paragraph (1) of that Act
	Article 52-84, paragraph (3)	Article 100, paragraph (3) of that Act
Article 52-82, paragraph (2), item (i)	Article 52-62, paragraph (1), item (v)	Article 99, paragraph (1), item (v) of the Payment Services Act

Chapter VII Miscellaneous Provisions

(Carrying Identification of Inspection Officials)

Article 102 (1) Inspection officials who conduct on-site inspections pursuant to the provisions of Article 24, paragraph (1) or (2), Article 54, paragraph (1) or (2), Article 63-15, paragraph (1) or (2), Article 80, paragraph (1) or (2), or Article 95 must carry an identification and present it when requested by any

person concerned.

- (2) The authority to conduct an on-site inspection under the respective provisions prescribed in the preceding paragraph must not be interpreted as being granted for the purpose of criminal investigation.

(Submission of Materials to the Minister of Finance)

Article 103 (1) When the Minister of Finance finds it necessary for planning or implementing a plan for systems pertaining to an issuer of prepaid payment instruments, funds transfer service providers, crypto-asset exchange service providers or clearing institution for interbank funds transfers, in relation to a system for failure resolution of financial institutions and financial risk management under the minister's jurisdiction, the minister may request the prime minister to provide necessary materials and explanation therefor.

- (2) When the Minister of Finance finds it particularly necessary for planning or implementing a plan for systems pertaining to an issuer of prepaid payment instruments, funds transfer service providers, crypto-asset exchange service providers or clearing institution for interbank funds transfers, in relation to a system for failure resolution of financial institutions and financial risk management under the minister's jurisdiction, the minister may request an issuer of prepaid payment instruments, funds transfer service providers, crypto-asset exchange service providers, clearing institution for interbank funds transfers, association for certified payment service providers, or any other persons concerned to provide materials and explanation therefor as well as other forms of cooperation, to the extent that such cooperation is necessary.

(Delegation of Authority)

Article 104 (1) The prime minister delegates authority under this Act (excluding that specified by Cabinet Order) to the Commissioner of the Financial Services Agency.

- (2) The Commissioner of the Financial Services Agency may, pursuant to the provisions of Cabinet Order, delegate part of the authority that has been delegated to the commissioner pursuant to the provisions of the preceding paragraph to the Director-Generals of Local Finance Bureaus or Local Finance Branch Bureaus.

(Provisions Governed by Cabinet Office Order)

Article 105 Beyond what is set forth in this Act, particulars necessary for the enforcement of this Act are specified by Cabinet Office Order.

(Transitional Measures)

Article 106 If an order is established, amended or repealed based on the

provisions of this Act, transitional measures necessary (including transitional measures concerning penal provisions) may be prescribed in the order, to the extent considered reasonably necessary for the establishment, amendment or repeal of the order.

Chapter VIII Penal Provisions

Article 107 Any person who falls 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 who conducts the business of issuing prepaid payment instruments for third-party business (meaning prepaid payment instruments for third-party business prescribed in Article 3, paragraph (5); the same applies in item (iii)) without registering the business referred to in Article 7;
- (ii) a person who has been registered referred to in Article 7, Article 37 or Article 63-2, or registration of change referred to in Article 41, paragraph (1) through wrongful means;
- (iii) a person who, in violation of the provisions of Article 12, has another person conduct the business of issuing prepaid payment instruments for third-party business;
- (iv) a person who provides a new type of funds transfer service without registering the change referred to in Article 41, paragraph (1);
- (v) a person who, in violation of the provisions of Article 42, has another person provide the funds transfer service;
- (vi) a person who provides the crypto-asset exchange service without registering the service referred to in Article 63-2;
- (vii) a person who, in violation of the provisions of Article 63-7, has another person provide the crypto-asset exchange service;
- (viii) a person who, in violation of Article 64, paragraph (1), provides the clearing service for interbank funds transfer without obtaining a license from the prime minister; or
- (ix) a person who obtains a license referred to in Article 64, paragraph (1) through wrongful means.

Article 108 Any person who falls under any of the following items is subject to imprisonment for not more than two years or a fine of not more than three million yen, or both:

- (i) a person who provides type I funds transfer service prescribed in Article 36-2, paragraph (1) without obtaining the authorization referred to in Article 40-2, paragraph (1);
- (ii) a person who violates an order to suspend all or part of the funds transfer

- service under the provisions of Article 56, paragraph (1);
- (iii) a person who, in violation of the provisions of Article 63-11, paragraph (1), fails to manage or entrust users' money separately from its own money, or a person who, in violation of the provisions of the first sentence of paragraph (2) of that Article, fails to manage users' crypto-assets separately from its own crypto-assets;
 - (iv) a person who, in violation of the provisions of the first sentence of Article 63-11-2, paragraph (1), fails to hold performance-guarantee crypto-assets (meaning the performance-guarantee crypto-assets prescribed in that paragraph; hereinafter the same applies in this item) or fails to manage the performance-guarantee crypto-assets separately from its own crypto-assets other than the performance-guarantee crypto-assets;
 - (v) a person who violates an order to suspend all or part of the crypto-asset exchange service pursuant to the provisions of Article 63-17, paragraph (1);
 - (vi) a person who violates an order to suspend all or part of the business pursuant to the provisions of Article 82, paragraph (2); or
 - (vii) a person who violates an order to suspend all or part of the business pursuant to the provisions of Article 96, paragraph (2).

Article 109 Any person who falls 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 who fails to give a public notice under the provisions of Article 20, paragraph (2), Article 61, paragraph (3) or Article 63-20, paragraph (3) or who gives a false public notice;
- (ii) a person who, in violation of Article 43, paragraph (1), fails to make a deposit;
- (iii) a person who, in violation of the provisions of the second sentence of Article 45-2, paragraph (1), fails to implement the management by using the method of management by bank deposits or savings prescribed in item (i) of that paragraph;
- (iv) a person who, in violation of an order under the provisions of Article 46, fails to make a deposit;
- (v) a person who fails to prepare or maintain the books and documents under the provisions of Article 52, Article 63-13 or Article 78, or prepares false books or documents;
- (vi) a person who fails to submit the written reports under the provisions of Article 53, paragraph (1) or (2), Article 63-14, paragraph (1) or (2) or Article 79 or the accompanying documents under the provisions of Article 53, paragraph (3), Article 63-14, paragraph (3) or (4) or submits false written reports or accompanying documents;

- (vii) a person who fails to submit reports or materials under the provisions of Article 54, paragraph (1) or (2), Article 63-15, paragraph (1) or (2) or Article 80, paragraph (1) or (2), or submits false reports or materials;
- (viii) a person who fails to answer or gives a false answer to the questions asked by the officials under the provisions of Article 54, paragraph (1) or (2), Article 63-15, paragraph (1) or (2) or Article 80, paragraph (1) or (2), or refuses, prevents or evades the inspection under these provisions;
- (ix) a person who, in violation of the provisions of Article 63-9-3, engages in an act set forth in item (i) of that Article; or
- (x) a person who made false statements in the written application for license under the provisions of Article 65, paragraph (1) or the accompanying documents under the provisions of paragraph (2) of that Article and submits those.

Article 110 A person who violates an order to suspend all or part of the business under the provisions of Article 26 or Article 27, paragraph (1) is subject to imprisonment for not more than one year or a fine of not more than one million yen, or both.

Article 111 A person who violates the provisions of Article 74, paragraph (1) or (2) (including as applied *mutatis mutandis* pursuant to paragraph (3) of that Article) or Article 93 is subject to imprisonment for not more than one year or a fine of not more than five hundred thousand yen.

Article 112 Any person who falls under any of the following items is subject to imprisonment for not more than six months or a fine of not more than five hundred thousand yen, or both:

- (i) a person who fails to submit the written notice under the provisions of Article 5, paragraph (1) or the accompanying documents under the provisions of paragraph (2) of that Article or submits a false written notice or accompanying documents;
- (ii) a person who made false statements in the written application for registration under the provisions of Article 8, paragraph (1) or the accompanying documents under the provisions of paragraph (2) of that Article, the written application for registration under the provisions of Article 38, paragraph (1) (including as applied *mutatis mutandis* pursuant to Article 41, paragraph (2)) or the accompanying documents under the provisions of Article 38, paragraph (2) (including as applied *mutatis mutandis* pursuant to Article 41, paragraph (2)), or the written application for registration under the provisions of Article 63-3, paragraph (1) or the accompanying documents under the provisions of paragraph (2) of that

Article;

- (iii) a person who, in violation of Article 14, paragraph (1) or (2), fails to make a deposit;
- (iv) a person who, in violation of an order under the provisions of Article 17, fails to make a deposit;
- (v) a person who fails to prepare or maintain the books and documents under the provisions of Article 22, or prepares false books or documents;
- (vi) a person who fails to submit the written reports under the provisions of Article 23, paragraph (1) or the accompanying documents under the provisions of paragraph (2) of that Article or submits false written reports or accompanying documents;
- (vii) a person who fails to submit reports or materials under the provisions of Article 24, paragraph (1) or (2), or submits false reports or materials;
- (viii) a person who fails to answer or gives a false answer to the questions asked by the officials under the provisions of Article 24, paragraph (1) or (2), or refuses, prevents or evades the inspection under these provisions;
- (ix) a person who fails to indicate the particulars prescribed in Article 63-9-2;
- (x) a person who, in violation of the provisions of Article 63-9-3, engages in an act set forth in item (ii) or (iii) of that Article;
- (xi) a person who fails to submit reports or materials under the provisions of Article 95, or submits false reports or materials; or
- (xii) a person who fails to answer or gives a false answer to the questions asked by the officials under the provisions of Article 95, or refuses, prevents or evades the inspection under the provisions of that Article.

Article 113 A person who violates an order under the provisions of Article 55, Article 63-16, Article 81, or Article 96, paragraph (1) is subject to a fine of not more than one million yen.

Article 114 Any person who falls under any of the following items is subject to a fine of not more than three hundred thousand yen:

- (i) a person who fails to make a notification under the provisions of Article 5, paragraph (3), Article 11, paragraph (1), Article 40-2, paragraph (2), Article 41, paragraph (3) or (4), or Article 63-6, paragraph (1) or (2), or makes a false notification;
- (ii) a person who fails to provide information under the provisions of Article 13, paragraph (1), or provides false information;
- (iii) a person who, in violation of Article 955, paragraph (1) of the Companies Act as applied mutatis mutandis pursuant to Article 20, paragraph (4), Article 61, paragraph (7) or Article, paragraph 63-20 (7), fails to make entries or records the particulars specified by Ministry of Justice Order

concerning electronic public notice investigations prescribed in that paragraph in an investigation record book, etc. (meaning the investigation record book, etc. prescribed in that paragraph; hereinafter the same applies in this item), or makes a false statement or records, or fails to maintain an investigation record book, etc. in violation of the provisions of that paragraph;

- (iv) a person who violates an order under the provisions of Article 25;
- (v) a person who has failed to submit the written notice under the provisions of Article 30, paragraph (2) or the accompanying documents under the provisions of paragraph (3) of that Article or has submitted a false written notice or accompanying documents;
- (vi) a person who fails to make a notification under the provisions of Article 30, paragraph (4) or makes a false notification;
- (vii) a person who fails to make a notification under the provisions of Article 69, paragraph (2) or Article 77, or makes a false notification;
- (viii) a person who violates the provisions of Article 76;
- (ix) a person who, in violation of the provisions of Article 89, paragraph (3), uses certain wording in its name that is likely to mislead the public into believing that the person is a member of an association for certified payment service providers (meaning a member specified in Article 87, item (ii); the same applies hereinafter); or
- (x) a person who fails to make a notification under the provisions of Article 100, paragraph (3) or makes a false notification.

Article 115 (1) Where the representative person or administrator of a corporation (including an association or foundation without juridical personality for which the representative person or administrator has been designated; hereinafter the same applies in this paragraph) or an agent, employee, or other worker of a corporation or individual, with regard to the business of the corporation or individual, violates any of the provisions set forth in the following items, not only the offender, but also the corporation is subject to the fine prescribed in the respective items and the individual is subject to the fine prescribed in the Articles referred to in the respective items:

- (i) Article 108 (excluding items (i) and (vii)): a fine of not more than three hundred million yen;
- (ii) Article 109 (excluding item (i)): a fine of not more than two hundred million yen;
- (iii) Article 110 or Article 112 (excluding items (i), (ii), and (ix) to (xii)): a fine of not more than one hundred million yen; and
- (iv) Article 107, Article 108, item (i) or (vii), Article 109, item (i), Article 112, item (i), (ii), or (ix) through (xii), Article 113, or the preceding Article: a fine

prescribed in the respective Articles.

- (2) If the provisions of the preceding paragraph apply to an association or foundation without juridical personality, the representative person or administrator thereof represents the association or foundation without juridical personality with regard to the procedural act, and the provisions of Acts concerning criminal procedures where a corporation is the defendant or a suspect apply *mutatis mutandis*.

Article 116 Any person who falls under any of the following items is subject to a civil fine of not more than one million yen:

- (i) a person who, in violation of Article 941 of the Companies Act as applied *mutatis mutandis* pursuant to Article 20, paragraph (4), Article 61, paragraph (7) or Article 63-20, paragraph (7), fails to request an investigation referred to in that Article;
- (ii) a person who, in violation of Article 946, paragraph (3) of the Companies Act as applied *mutatis mutandis* pursuant to Article 20, paragraph (4), Article 61, paragraph (7) or Article 63-20, paragraph (7), fails to make a report or makes a false report; or
- (iii) a person who refuses any requests listed in the items of Article 951, paragraph (2) or the items of Article 955, paragraph (2) of the Companies Act as applied *mutatis mutandis* pursuant to Article 20, paragraph (4), Article 61, paragraph (7) or Article 63-20, paragraph (7) without reasonable grounds.

Article 117 Any person who falls under any of the following items is subject to a civil fine of not more than five hundred thousand yen:

- (i) a person who fails to make a notification under the provisions of Article 33, paragraph (1), Article 61, paragraph (1) or (4) or Article 63-20, paragraph (1) or (4), or makes a false notification; or
- (ii) a person who refuses to make the membership list available for public inspection under the provisions of Article 89, paragraph (1) without justifiable grounds.

Article 118 Any person who falls under any of the following items is subject to a civil fine of not more than one hundred thousand yen:

- (i) a person who fails to make a notification under the provisions of Article 14, paragraph (2) or makes a false notification; or
- (ii) a person who, in violation of the provisions of Article 89, paragraph (2), uses certain wording in its name which is likely to mislead the public into believing that the person is an association for certified payment service providers.