

# **Cabinet Office Order on Financial Instruments Business**

(Cabinet Office Order No. 52 of August 6, 2007)

Pursuant to the provisions of the Financial Instruments and Exchange Act (Act No. 25 of 1948) and the Order for Enforcement of the Financial Instruments and Exchange Act (Cabinet Order No. 321 of 1965), and for the purpose of the enforcement of that Act and that Order, the Cabinet Office Order on Financial Instruments Business is enacted as follows:

Chapter I General Provisions (Articles 1 through 3)

Chapter II Financial Instruments Business Operators

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**Chapter I General Provisions**

(Definitions)

- Article 1 (1) The terms "securities", "public offering of securities", "private placement of securities", "secondary distribution of securities", "issuer", "underwriter", "registration statement", "financial instruments business", "financial instruments business operator", "prospectus", "financial instruments intermediary service", "financial instruments intermediary service provider", "authorized financial instruments firms association", "financial instruments market", "financial instruments exchange", "financial instruments exchange market", "trading participant", "derivative transactions", "market transactions of derivatives", "over-the-counter derivatives transactions", "foreign market derivatives transactions", "financial instruments", "financial indicator", "foreign financial instruments exchange", "brokerage for clearing of securities, etc.", "financial instruments obligation assumption service", "financial instruments clearing organization", "foreign financial instruments clearing organizations", "securities finance company", "professional investor", "credit rating", "credit rating business", "credit rating agency", "high-speed trading" or "high-speed trader" as used in this Cabinet Office Order mean the securities, public offering of securities, private placement of securities, secondary distribution of securities, issuer, underwriter, registration statement, financial instruments business, financial instruments business operator, prospectus, financial instruments intermediary service, financial instruments intermediary service provider, authorized financial instruments firms association, financial instruments market, financial instruments exchange, financial instruments exchange market, trading participant, derivative transactions, market transactions of derivatives, over-the-counter derivatives transactions, foreign market derivatives transactions, financial instruments, financial indicator, foreign financial instruments exchange, brokerage for clearing of securities, etc., financial instruments obligation assumption service, financial instruments clearing organization, foreign financial instruments clearing organizations, securities finance company, professional investor, credit rating, credit rating business or credit rating agency, high-speed trading or high-speed trader as defined in Article 2 of the Financial Instruments and Exchange Act (hereinafter referred to as "the Act").
- (2) The terms "type I financial instruments business", "type II financial instruments business", "investment advisory and agency business",

"investment management business", "securities, etc. management business", "investment advisory business", "wholesale underwriting of securities", or "securities-related business" as used in this Cabinet Office Order mean type-I financial instruments business, type-II financial instruments business, investment advisory and agency business, investment management business, securities, etc. management business, investment advisory business, wholesale underwriting of securities, or securities-related business as defined in Article 28 of the Act.

- (3) In this Cabinet Office Order (in cases of the terms listed in item (xvi), excluding Article 199, item (xiii), Article 201, item (xxiv), Article 202, item (xviii), Section 4-2 of the following Chapter, and Appended Forms No. 17-2 through No. 17-6), the meanings of the terms set forth in the following items are as prescribed respectively in those items:
- (i) options: the options as defined in Article 2, paragraph (1), item (xix) of the Act;
  - (ii) business subject to investment: the business subject to investment as defined in Article 2, paragraph (2), item (v) of the Act;
  - (ii)-2 electronically recorded transferable rights: the electronically recorded transferable rights prescribed in Article 2, paragraph (3) of the Act;
  - (iii) qualified institutional investors: the qualified institutional investors prescribed in Article 2, paragraph (3), item (i) of the Act;
  - (iii)-2 solicitation for selling, etc. only for professional investors: the solicitation for selling, etc. only for professional investors prescribed in Article 2, paragraph (6) of the Act;
  - (iii)-3 commodity-related market derivatives transaction: the commodity-related market derivatives transaction as defined in Article 2, paragraph (8), item (i) of the Act;
  - (iv) foreign financial instruments market: the foreign financial instruments market prescribed in Article 2, paragraph (8), item (iii), sub-item (b) of the Act;
  - (v) over-the-counter derivatives transactions, etc.: the over-the-counter derivatives transactions, etc. prescribed in Article 2, paragraph (8), item (iv) of the Act;
  - (vi) underwriting of securities: the underwriting of securities as defined in Article 2, paragraph (8), item (vi) of the Act;
  - (vii) over-the-counter traded securities: the over-the-counter traded securities as defined in Article 2, paragraph (8), item (x), sub-item (c) of the Act;
  - (viii) investment advisory contract: the investment advisory contract prescribed in Article 2, paragraph (8), item (xi) of the Act;
  - (ix) discretionary investment contract: the discretionary investment contract prescribed in Article 2, paragraph (8), item (xii), sub-item (b) of the Act;

- (x) registered financial institution: the registered financial institution as defined in Article 2, paragraph (11) of the Act;
- (x)-2 commodities: the commodities as defined in Article 2, paragraph (24), item (iii)-3 of the Act;
- (x)-3 securities for professional investors: the securities for professional investors prescribed in Article 4, paragraph (3) of the Act;
- (x)-4 solicitation for acquisition only for professional investors: the solicitation for acquisition only for professional investors prescribed in Article 4, paragraph (3), item (i) of the Act;
- (xi) officer: the officer defined in Article 21, paragraph (1), item (i) of the Act;
- (xii) securities-related derivatives transactions: the securities-related derivatives transactions prescribed in Article 28, paragraph (8), item (vi) of the Act;
- (xii)-2 type-I small amount electronic public offering service provider: the type-I small amount electronic public offering service provider as defined in Article 29-4-2, paragraph (9) of the Act;
- (xii)-3 type-I small amount electronic public offering service: the type-I small amount electronic public offering service as defined in Article 29-4-2, paragraph (10) of the Act;
- (xii)-4 type-II small amount electronic public offering service provider: the type-II small amount electronic public offering service provider as defined in Article 29-4-3, paragraph (2) of the Act;
- (xii)-5 type-II small amount electronic public offering service: the type-II small amount electronic public offering service as defined in Article 29-4-3, paragraph (4) of the Act;
- (xii)-6 investment management business for qualified investors: the investment management business for qualified investors prescribed in Article 29-5, item (i) of the Act;
- (xii)-7 qualified investor: the qualified investor as defined in Article 29-5, item (iii) of the Act;
- (xiii) parent bank, etc.: the parent bank, etc. as defined in Article 31-4, paragraph (3) of the Act;
- (xiv) parent corporation, etc.: the parent corporation, etc. prescribed in Article 31-4, paragraph (3) of the Act;
- (xv) subsidiary bank, etc.: the subsidiary bank, etc. as defined in Article 31-4, paragraph (4) of the Act;
- (xvi) subsidiary corporation, etc.: the subsidiary corporation, etc. prescribed in Article 31-4, paragraph (4) of the Act;
- (xvii) derivative transactions, etc.: the derivative transactions, etc. prescribed in Article 33, paragraph (3) of the Act;
- (xviii) securities-related derivatives transactions, etc.: the securities-related

- derivatives transactions, etc. prescribed in Article 33, paragraph (3) of the Act;
- (xix) market derivatives transactions, etc.: the market derivatives transactions, etc. as defined in Article 33, paragraph (3), item (i) of the Act;
- (xx) foreign market derivatives transactions, etc.: the foreign market derivatives transactions, etc. defined in Article 33, paragraph (3) item (iii) of the Act;
- (xxi) registered financial institution business: the registered financial institution business as defined in Article 33-3, paragraph (1), item (vi), sub-item (a) of the Act;
- (xxii) financial instruments business operator, etc.: the financial instruments business operator, etc. as defined in Article 34 of the Act;
- (xxiii) act that constitutes a financial instruments transaction: the acts that constitute financial instruments transactions as defined in Article 34 of the Act;
- (xxiv) financial instruments transaction contract: the financial instruments transaction contract prescribed in Article 34 of the Act;
- (xxv) investment property: the investment property as defined in Article 35, paragraph (1), item (xv) of the Act;
- (xxv)-2 specified over-the-counter derivatives transactions: the specified over-the-counter derivatives transactions defined in Article 40-7, paragraph (1) of the Act.
- (xxvi) purchase and sale or other transactions of securities: the purchase and sale or other transactions of securities prescribed in Article 41-2, item (iv) of the Act;
- (xxvii) right holders: the right holders as defined in Article 42, paragraph (1) of the Act;
- (xxviii) capital adequacy ratio: the capital adequacy ratio prescribed in Article 46-6, paragraph (1) of the Act;
- (xxix) financial instruments business, etc.: the financial instruments business, etc. prescribed in Article 50, paragraph (1), item (i) of the Act;
- (xxix)-2 special financial instruments business operator: the special financial instruments business operator as defined in Article 57-2, paragraph (2) of the Act;
- (xxix)-3 subject special financial instruments business operator: the subject special financial instruments business operator prescribed in Article 57-12, paragraph (3) of the Act;
- (xxix)-4 designated parent company: the designated parent company as defined in Article 57-12, paragraph (3) of the Act;
- (xxix)-5 highest designated parent company: the highest designated parent company as defined in Article 57-12, paragraph (3) of the Act;

- (xxx) foreign securities service provider: the foreign securities service provider as defined in Article 58 of the Act;
- (xxxi) authorized firm for on-exchange transactions: the authorized firm for on-exchange transactions prescribed in Article 60-4, paragraph (1) of the Act;
- (xxxi)-2 electronic over-the-counter derivatives transactions, etc. business: the electronic over-the-counter derivatives transactions, etc. business prescribed in Article 60-14, paragraph (1) of the Act;
- (xxxi)-3 business operator authorized to conduct electronic over-the-counter derivatives transactions, etc.: the business operator authorized to conduct electronic over-the-counter derivatives transactions, etc. prescribed in Article 60-14, paragraph (2) of the Act;
- (xxxii) qualified institutional investors, etc.: the qualified institutional investors, etc. as defined in Article 63, paragraph (1), item (i) of the Act;
- (xxxiii) specially-permitted services for qualified institutional investors, etc.: the specially-permitted services for qualified institutional investors, etc. prescribed in Article 63, paragraph (2) of the Act;
- (xxxiv) notifier of specially-permitted services: the notifier of specially-permitted services as defined in Article 63, paragraph (5) of the Act;
- (xxxiv)-2 specially permitted services for foreign investors, etc.: the specially permitted services for foreign investors, etc. prescribed in Article 63-8, paragraph (1) of the Act;
- (xxxiv)-3 notifier of specially permitted services for foreign investors, etc.: the notifier of specially permitted services for foreign investors, etc. as defined in Article 63-9, paragraph (4) of the Act;
- (xxxv) sales representative: the sales representative prescribed in Article 64, paragraph (1) of the Act;
- (xxxvi) entrusting financial instruments business operators, etc.: the entrusting financial instruments business operators, etc. prescribed in Article 66-2, paragraph (1), item (iv) of the Act;
- (xxxvii) intermediation for financial instruments: the intermediation for financial instruments prescribed in Article 66-11 of the Act (in the case of a financial service intermediary (meaning the financial service intermediary as defined in Article 11, paragraph (6) of the Act on the Provision of Financial Services (Act No. 101 of 2000) and limited to a person who is engaged in securities, etc. intermediary business operations (meaning the securities, etc. intermediary business operations as defined in paragraph (4) of that Article; the same applies hereinafter); the same applies hereinafter), the acts set forth in the items of Article 11, paragraph (4) of the Act on the Provision of Financial Services);
- (xxxviii) over-the-counter securities market: the over-the-counter securities market as defined in Article 67, paragraph (2) of the Act;

- (xxxix) tradable securities: the tradable securities as defined in Article 67-18, item (iv) of the Act;
  - (xl) certified financial instruments business association: the certified financial instruments business association prescribed in Article 78, paragraph (2) of the Act;
  - (xli) certified investor protection organization: the certified investor protection organization prescribed in Article 79-10, paragraph (1) of the Act;
  - (xlii) investor protection fund: the investor protection fund prescribed in Article 79-21 of the Act;
  - (xliii) collaborating financial instruments obligation assumption services: the collaborating financial instruments obligation assumption services as defined in Article 156-20-16, paragraph (1) of the Act;
  - (xliv) collaborating clearing organization, etc.: the collaborating clearing organization, etc. as defined in Article 156-20-16, paragraph (1) of the Act;
  - (xlv) margin transaction: the margin transaction prescribed in Article 156-24, paragraph (1) of the Act;
  - (xlvi) designated dispute resolution organization: the designated dispute resolution organization as defined in Article 156-38, paragraph (1) of the Act;
  - (xlvii) dispute resolution procedures: the dispute resolution procedures as defined in Article 156-38, paragraph (10) of the Act;
  - (xlviii) category of dispute resolution services: the category of dispute resolution services as defined in Article 156-38, paragraph (12) of the Act;
  - (xlix) basic contract for implementation of dispute resolution procedures: the basic contract for implementation of dispute resolution procedures as defined in Article 156-38, paragraph (13) of the Act;
  - (l) business operator involved in financial instruments transactions: the business operator involved in financial instruments transactions as defined in Article 156-38, paragraph (13) of the Act.
- (4) In this Cabinet Office Order, the meanings of the terms set forth in the following items are as prescribed in each of those items:
- (i) the head office, etc.: meaning the head office or any other principal business office or office (in the case of a foreign corporation or an individual that has an address in a foreign country, meaning the principal business office or office in Japan);
  - (ii) the amount of non-fixed equity capital: meaning the amount obtained by deducting the amount of deductible assets (meaning the total amount of each of the items listed in the items of Article 177, paragraph (1); the same applies hereinafter) from the sum of the amount of basic items (meaning the sum of the amount the things set forth in Article 176, paragraph (1), items (i) through (vi); the same applies hereinafter) and the amount of supplementary items (meaning the amount of the thing set forth in item (vii) of that



- paragraph; the same applies hereinafter);
- (iii) the competent Director-General of a Local Finance Bureau, etc.: meaning the Director-General of a Local Finance Bureau or the Director-General of the Fukuoka Local Finance Branch Bureau, who has granted the current registration to a financial instruments business operator, registered financial institution, financial instruments intermediary service provider, or high-speed trader, or has granted the current permission to an authorized firm for on-exchange transactions;
  - (iv) the Commissioner of the Financial Services Agency or the competent Director-General of a Local Finance Bureau: meaning the Commissioner of the Financial Services Agency, in the case of a special financial instruments business operator and a person designated by the Commissioner of the Financial Services Agency pursuant to the provisions of Article 42, paragraph (2), Article 43, paragraph (2), or Article 43-2-3, paragraph (2) of the Order for Enforcement of the Financial Instruments and Exchange Act (hereinafter referred to as "the Order"); and the competent Director-General of a Local Finance Bureau, etc., in the case of a person other than the aforementioned persons.
  - (v) partnership contract: meaning a partnership contract prescribed in Article 667, paragraph (1) of the Civil Code (Act No. 89 of 1896);
  - (vi) silent partnership contract: meaning a silent partnership contract prescribed in Article 535 of the Commercial Code (Act No. 48 of 1899);
  - (vii) limited partnership agreement for investment: meaning a limited partnership agreement for investment prescribed in Article 3, paragraph (1) of the Limited Partnership Act for Investment (Act No. 90 of 1998);
  - (viii) limited liability partnership agreement: meaning a limited liability partnership agreement prescribed in Article 3, paragraph (1) of the Limited Liability Partnership Act (Act No. 40 of 2005);
  - (ix) proprietary trading system operation: meaning a business operation related to the acts set forth in Article 2, paragraph (8), item (x) of the Act;
  - (x) cooperative financial institution: meaning a cooperative financial institution as defined in Article 2, paragraph (1) of the Act on Preferred Equity Investment by Cooperative Structured Financial Institution (Act No. 44 of 1993);
  - (xi) when-issued transaction: meaning a when-issued transaction defined in Article 1, paragraph (2) of the Cabinet Office Order on Transactions Prescribed in Article 161-2 of the Financial Instruments and Exchange Act and Security Deposits for the Transactions (Ministry of Finance Order No. 75 of 1953);
  - (xii) undisclosed information: meaning material information on the operation, business or property of a company that is an issuer, which is found to have

an impact on customers' investment decisions (meaning the investment decisions as defined in Article 2, paragraph (8), item (xi), sub-item (b) of the Act; the same applies hereinafter excluding Article 16-5-2, item (iii), Article 233-2, paragraph (1), item (iv), and Article 246-10, paragraph (3), item (iii)), or information on the trend of orders in the customers' purchase and sale or other transactions of securities and any other special information which the officers (if an officer is a corporation, including members that are to perform the corporation's duties) or employees of the company itself or its parent corporation, etc. or subsidiary corporation, etc. have come to know in the course of duties (excluding information related to a foreign corporation (including a foreign organization without juridical personality for which a representative or administrator has been designated) among these pieces of information) ;

(xiii) undisclosed loan information, etc.: meaning undisclosed information on the customer's business or any other special information which the officers (in the case of a foreign corporation, including its representative in Japan; hereinafter the same applies excluding Section 5 of the following Chapter, Article 238-2, paragraph (1), item (i), sub-item (a), Article 239, paragraph (2), item (iii), sub-item (b) (limited to the part related to 1.), Article 241, paragraph (2), item (i), sub-item (b), Article 246-14, paragraph (1), item (iii), sub-item (a), Article 246-20, paragraph (2), item (iii), sub-item (b) (limited to the part related to 1.) and Article 246-22, paragraph (2), item (iii), sub-item (b)) or employees engaged in lending operations (meaning operations related to loans for business; hereinafter the same applies in this item, Article 123, paragraph (1), item (xix) and Article 150, item (v)) or financial institution agency services (meaning services for agency or intermediation for the conclusion of contracts which provide for lending of funds or discounting of negotiable instrument for business, from among the financial institution agency services prescribed in Article 68, item (xiii); the same applies hereinafter) have come to know in the course of duties, which is found to have an impact on the customer's investment decisions in respect of the securities (excluding the securities set forth in Article 33, paragraph (2), item (i) of the Act and the securities set forth in Article 2, paragraph (1), item (xvii) of the Act which have the nature referred to in items (i) and (ii) of that paragraph; hereinafter the same applies in this item) solicited by officers or employees engaged in a financial instruments business or financial instruments intermediary service (meaning business of conducting intermediation for financial instruments; the same applies hereinafter); or trend on orders in the customers' purchase and sale or other transactions of securities, or any other special information that the officers or employees engaged in a financial instruments business or financial instruments

- intermediation operation in the course of duties have come to know in the course of duties, which is found to have a material impact on the loan business or the financial institution agency services related to the issuer of the securities (excluding information related to a foreign corporation (including a foreign organization without juridical personality for which a representative or administrator has been designated) among these pieces of information);
- (xiv) corporate information: meaning undisclosed material information on the operation, business, or properties of listed companies, etc. prescribed in Article 163, paragraph (1) of the Act, which is found to have an impact on customers' investment decisions; and undisclosed information about a decision on the implementation or suspension of a tender offer (excluding a decision that falls under the criteria prescribed in the proviso to Article 167, paragraph (2) of the Act) prescribed in Article 27-2, paragraph (1) of the Act (limited to a tender offer to which the provisions of the main clause of that paragraph apply), the buying-up of share certificates equivalent to this (meaning the share certificates, etc. prescribed in that paragraph), and tender offer prescribed in Article 27-22-2, paragraph (1) of the Act (limited to a tender offer to which the provisions of the main clause of that paragraph apply);
- (xv) commodity-related business: meaning a financial instruments business that conducts any of the acts set forth in Article 28, paragraph (1), item (i)-2 of the Act on a regular basis;
- (xvi) electronic trading platform management service: meaning specified over-the-counter derivatives transactions or their intermediary, brokerage (excluding brokerage for clearing of securities, etc.) or agency services conducted by a financial instruments business operator, etc. on a regular basis, using an electronic data processing system to be used for their over-the-counter derivatives transactions business, etc.
- (xvii) electronically recorded transferable rights to be indicated on securities, etc.: meaning the rights prescribed in Article 29-2, paragraph (1), item (viii) of the Act; and
- (xviii) cryptoassets: meaning cryptoassets as defined in Article 2, paragraph (14) of the Payment Services Act (Act No. 59 of 2009).

(English Entries in Documents to be Submitted)

Article 2 (1) Documents to be submitted to the Commissioner of the Financial Services Agency, Director-General of a Local Finance Bureau, or Director-General of the Fukuoka Local Finance Branch Bureau (hereinafter referred to as the "Commissioner of the Financial Services Agency or a Director-General") pursuant to the provisions of the Act (limited to Chapter III through Chapter

III-4; the same applies in paragraph (3) and the following Article), the Order (limited to Chapters IV through IV-4; the same applies in that paragraph and that Article) or this Cabinet Office Order (excluding documents that can be prepared in English pursuant to other provisions of this Cabinet Office Order (including preparation in English in the same manner as the forms specified in this Cabinet Office Order; hereinafter the same applies in this paragraph); the same applies in paragraph (3)) that are specified by the Commissioner of the Financial Services Agency in consideration of the content of the document and other circumstances may be prepared in English.

(2) In the case referred to in the preceding paragraph, if the Commissioner of the Financial Service Agency or a Director-General finds it to be necessary and appropriate for the public interest or the protection of investors, the Commissioner or the Director-General may request that the person that is subject to the application of provisions of that paragraph attach a Japanese translation of the outline of all or part of the documents to which those provisions apply.

(3) If, due to special circumstances, there are documents to be submitted to the Commissioner of the Financial Services Agency or a Director-General (excluding those to which the provisions of paragraph (1) apply) pursuant to the provisions of the Act, the Order, or this Cabinet Office Order that cannot be stated in Japanese, their translation must be attached to the document; provided, however, that if the documents to be submitted are the articles of incorporation, or the minutes of a shareholders meeting or a board of officers meeting, etc. (meaning the board of officers meeting, etc. prescribed in Article 221, item (i)), which are stated in English, it is sufficient to attach a translation of the outline.

(Conversion of Foreign Currencies or Cryptoassets )

Article 3 If the document to be submitted to the Commissioner of the Financial Services Agency or a Director-General pursuant to the provisions of the Act, the Order, or this Cabinet Office Order contains a statement indicating the amount or volume in a foreign currency or a cryptoasset, a supplementary note on the amount or volume converted into the Japanese currency and the criteria used for the conversion must be made.

## **Chapter II Financial Instruments Business Operators**

### **Section 1 General Provisions**

#### **Subsection 1 General Rules**

(Wholesale Underwriting of Securities Constituting a Managing Underwriter)

Article 4 The wholesale underwriting of securities specified by Cabinet Office

Order as prescribed in Article 15 of the Order is the wholesale underwriting for which discussions are to be held with the issuer or owner of the securities in concluding the wholesale underwriting contract (meaning the wholesale underwriting contract as defined in that Article; hereinafter the same applies in this Article and Article 147, item (iii)), in order to decide the content of the contract, other than those set forth as follows:

- (i) if either the total issue value of the securities under the wholesale underwriting contract or the total value of the secondary distribution of securities or the solicitation for selling, etc. only for professional investors (if the wholesale underwriting contract is the contract set forth in Article 15, item (iii) of the Order, including the sum of the amount to be paid upon the exercise of the share options prescribed in that item) for which the amount of the portion related to the underwriting of securities by a financial instruments business operator, etc. and a foreign securities service provider (hereinafter referred to as the "total amount of underwriting" in this Article) exceeds ten billion yen, and discussion is to be held jointly with another person (limited to a person whose amount of stated capital, total amount of funds, or total amount of contribution is three billion yen or more) for the wholesale underwriting of securities and the amount of the portion related to the underwriting of securities by the person themselves out of the total amount of underwriting is ten billion yen or less; and
- (ii) if the total amount of underwriting is ten billion yen or less, and for which the discussion is to be held.

(Securities Equivalent to Share Option Certificates)

Article 4-2 (1) Securities specified by Cabinet Office Order as prescribed in Article 28, paragraph (7), item (iii) of the Act are the following securities:

- (i) corporate bond certificates with share options;
  - (ii) instruments or certificates issued by a foreign person, which have the nature of share option certificates or corporate bond certificates with share options;
  - (iii) certificates of investment equity subscription rights (meaning certificates of investment equity subscription rights as defined in Article 2, paragraph (18) of the Act on Investment Trusts and Investment Corporations (Act No. 198 of 1951); the same applies hereinafter); and
  - (iv) foreign investment securities (meaning foreign investment securities provided for in Article 220, paragraph (1) of the Act on Investment Trusts and Investment Corporations; the same applies hereinafter) and are similar to certificates of investment equity subscription rights.
- (2) The rights specified by Cabinet Office Order as prescribed in Article 28, paragraph (7), item (iii) of the Act are those set forth in the following items:

- (i) rights against a foreign person which have the nature of share options;
- (ii) investment equity subscription rights (meaning investment equity subscription rights as defined in Article 2, paragraph (17) of the Act on Investment Trusts and Investment Corporations; the same applies hereinafter); and
- (iii) rights against a foreign investment corporation (meaning a foreign investment corporation as defined in Article 2, paragraph (25) of the Act on Investment Trusts and Investment Corporations) which have the nature of investment equity subscription rights.

## **Subsection 2 Financial Instruments Business Operators**

(Application for Registration)

Article 5 A person that seeks to obtain the registration referred to in Article 29 of the Act must submit to the Director-General of a Local Finance Bureau with jurisdiction over the locality of the person's head office, etc. (if the locality falls within the jurisdictional area of the Fukuoka Local Finance Branch Bureau, to its Director-General; if the person does not have a business office or an office in Japan, to the Director-General of the Kanto Finance Bureau) a written application for registration referred to in Article 29-2, paragraph (1) of the Act prepared using the Appended Form No. 1, by attaching a copy of the written application and documents or electronic or magnetic record (meaning an electronic or magnetic record as defined in Article 13, paragraph (5) of the Act; the same applies hereinafter) to required to be attached to the written application pursuant to the provisions of Article 29-2, paragraph (2) or (3) of the Act.

(Employees to Be Indicated in an Application or Notification for Registration)

Article 6 (1) The person specified by Cabinet Office Order as prescribed in Article 15-4, item (i) of the Order is a person that is in a position in which the person may be delegated the authority of a person that supervises the business prescribed in that item, such as the head of department, the deputy head of department, the section head or other persons irrespective of the title.

(2) The person specified by Cabinet Office Order as prescribed in Article 15-4, item (ii) of the Order is a person that makes investment decisions based on analysis of the values, etc. of financial instruments (meaning the values, etc. of financial instruments as defined in Article 2, paragraph (8), item (xi), sub-item (b) of the Act; the same applies hereinafter).

(Means of Handling Public Offerings Using Information and Communications Technology)

Article 6-2 The means specified by Cabinet Office Order as prescribed in Article 29-2, paragraph (1), item (vi) of the Act are as follows:

- (i) to make the content of information recorded in the files stored on the computer used by a financial instruments business operator, etc. available via a telecommunications line for inspection by the counterparty; and
- (ii) in using the means set forth in the preceding item, to transmit correspondence or other information via a telecommunications line that connects a computer used by a financial instruments business operator, etc. and a computer used by the counterparty or any means similar to this (other than the case involving communication through audio transmission).

(Electronically Recorded Transferable Rights to Be Indicated on Securities)

Article 6-3 What are specified by Cabinet Office Order as prescribed in Article 29-2, paragraph (1), item (viii) of the Act are those falling under the cases indicated on financial values that can be transferred by using an electronic data processing system (limited to that which is recorded on an electronic device or any other object by electronic means; hereinafter simply referred to as "financial values").

(Matters to Be Stated in a Written Application for Registration)

Article 7 The matters specified by Cabinet Office Order as prescribed in Article 29-2, paragraph (1), item (xii) of the Act are the following matters:

- (i) the trade name or name of the designated dispute resolution organization that is the counterparty to a basic contract for implementation of dispute procedures concluded for the purpose of taking the measures to conclude the contract for implementation of dispute procedures related to the business specified in Article 37-7, paragraph (1), item (i), sub-item (a), item (ii), sub-item (a), item (iii), sub-item (a), or item (iv), sub-item (a) of the Act, and the name of the certified investor protection organization which is to become a financial instruments firms association of which the applicant is to become a member (meaning the authorized financial instruments firms association or certified financial instruments business association; the same applies hereinafter) and a covered business operator (meaning a covered business operator prescribed in Article 79-11, paragraph (1) of the Act; the same applies hereinafter);
- (ii) the name or trade name of the financial instruments exchange of which the applicant for registration is to become a member or trading participant (hereinafter referred to as the "members, etc.");
- (iii) if the applicant for registration is to conduct securities-related business, the following matters:
  - (a) that fact (if the applicant for registration conducts only business related

- to electronically recorded transferable rights or the rights prescribed in Article 1-12, item (ii) of the Cabinet Order among the type I financial instruments business, including that fact);
- (b) if the applicant for registration is to conduct type-I financial instruments business (excluding the cases in which the applicant for registration is to only conduct business related to electronically recorded transferable rights or the rights prescribed in Article 1-12, item (ii) of the Cabinet Order, or type-I small amount electronic public offering service, and is not to become a member of an investor protection fund), the name of the investor protection fund of which the applicant for registration is to become a member (excluding an investor protection fund provided for in the articles of incorporation under the provisions of Article 79-49, paragraph (4) of the Act);
- (iii)-2 if the applicant for registration is to conduct electronic trading platform management service, that fact;
- (iii)-3 if the applicant for registration is to conduct commodity-related business, the following matters:
- (a) that fact; and
- (b) if the applicant for registration is to conduct commodity derivatives transaction-related business (meaning the commodity derivatives transaction-related business provided for in Article 79-20, paragraph (1) of the Act; the same applies hereinafter), the name of an investor protection fund to which the applicant is to become a member (excluding an investor protection fund provided for in the articles of incorporation under the provisions of Article 79-49, paragraph (2) of the Act);
- (iv) if the applicant for registration is to conduct business related to commodities investment (meaning the business related to commodities investment prescribed in Article 37, paragraph (2) of the Order; the same applies hereinafter), the following matters:
- (a) that fact; and
- (b) if the business related to commodities investment conducted by the applicant for registration only concerns the goods set forth in Article 37, paragraph (1), item (ii), sub-item (b) of the Order or the agriculture, forestry, and fisheries goods, etc. (meaning the agriculture, forestry, and fisheries defined in Article 11, paragraph (2), item (i) of the Order for Enforcement of Act on Regulation of Commodity Investment (Cabinet Order No. 45 of 1992); the same applies in Article 44, item (vii), sub-item (b)), that fact;
- (c) if the business related to commodities investment conducted by the applicant for registration only concerns the goods listed in Article 37, paragraph (1), item (ii), sub-items (c) through (e) of the Order or the



- economy, trade and industry goods, etc. (meaning the economy, trade and industry goods, etc. prescribed in the proviso to Article 11, paragraph (1) of the Order for Enforcement of Act on Regulation of Commodity Investment; the same applies in Article 44, item (vii), sub-item (c)), that fact;
- (d) if the applicant for registration is to conduct business related to investment in racehorses (meaning a business to conduct the acts set forth in the items of Article 194-6, paragraph (1) of the Act, which are related to the rights set forth in any of the following clause; the same applies hereinafter), that fact:
1. a right under a silent partnership contract, the purpose of which is to acquire racehorses (limited to the racehorses that are or are to obtain the registration referred to in Article 14 of the Horse Racing Act (Act No. 158 of 1948) (including as applied *mutatis mutandis* pursuant to Article 22 of that Act); the same applies hereinafter), using all the money (including the things set forth in Article 1-3, items (i) through (iii) of the Order) invested by the holders of the right, to invest the racehorses to the counterparty (limited to one specific person) based on the silent partnership contract related to the right specified in 2., and to enter the racehorses in races (limited to races held by the Japan Racing Association or the National Association of Racing prescribed in Article 1, paragraph (5) of the Horse Racing Act; the same applies in 2.);
  2. a right under a silent partnership contract, the purpose of which is to enter a racehorse invested by the business operator (limited to one specific person) based on the silent partnership contract which concerns the right set forth in 1. that is entitled to the right;
- (v) if the applicant for registration is to conduct any of the acts set forth in the items of Article 194-6, paragraph (2) of the Act on a regular basis, that fact;
- (vi) if the applicant for registration is to conduct business of purchase and sale, etc. of beneficial interest in real property trust (meaning business related to purchase and sale or any other transaction of the rights set forth in Article 2, paragraph (2), item (i) of the Act (hereinafter referred to as the "beneficial interest in real property trust") concerning building lots (meaning building lots as defined in Article 2, item (i) of the Real Estate Brokerage Act (Act No. 176 of 1952); the same applies hereinafter) or buildings, or business related to the purchase and sale or any other transaction of the rights under a partnership contract, silent partnership contract, or limited partnership agreement for investment for which the business subject to investment related to the rights is mainly business of investing in a beneficial interest in real property trust; the same applies hereinafter), that fact;
- (vii) if the applicant for registration is to conduct specified investment

- management business related to real property (meaning among investment management businesses (excluding the business of conducting the act set forth in Article 2, paragraph (8), item (xii) of the Act and the act set forth in item (xiv) of that paragraph related to the contract set forth in sub-item (a) of that item) the business for which the subject of investment is mainly business of in a beneficial interest in real property trust or the rights under a partnership contract, silent partnership contract, or limited partnership agreement for investment for which the business subject to investment related to the rights is mainly business whose subject of investment is business that invests in a beneficial interest in real property trust; the same applies hereinafter), that fact;
- (viii) if the applicant for registration is to conduct specific underwriting act (meaning the act set forth in Article 16, paragraph (1), item (v) of the Cabinet Office Order on Definitions under Article 2 of the Financial Instruments and Exchange Act (Order of the Ministry of Finance No. 14 of 1993)), that fact;
  - (ix) if the applicant for registration is to conduct an act of managing specified securities, etc. (meaning the act set forth in Article 16, paragraph (1), items (xiv) and (xiv)-2 of the Cabinet Office Order on Definitions under Article 2 of the Financial Instruments and Exchange Act; the same applies in Article 149, item (i), (a) and Article 181, paragraph (1), item (ii), (b)), that fact;
  - (x) if the applicant for registration is to conduct high-speed trading as financial instruments business, and the applicant is an individual that has an address in a foreign country, the name or trade name of the agent in Japan;
  - (xi) if the applicant for registration is to conduct business related to the acts set forth in Article 1-12, item (ii) of the Cabinet Order among the businesses related to type II financial instruments business, that fact; and
  - (xii) the name and location of its head office, etc.

#### (Content and Method of Business)

Article 8 The content and method of business specified by Cabinet Office Order as prescribed in Article 29-2, paragraph (2), item (ii) of the Act are as follows:

- (i) the basic principles of business operations;
- (ii) the method of execution of business;
- (iii) the method of division of duties;
- (iv) the types of acts that constitute financial instruments transactions conducted on a regular basis;
- (v) the system for handling complaints (including the content of complaint processing measures and dispute resolution measures concerning the business specified in Article 37-7, paragraph (1), item (i), sub-item (b), item (ii), sub-item (b), item (iii), sub-item (b), or item (iv), sub-item (b) of the Act);

(vi) if the applicant for registration is to conduct type-I financial instruments business, the following matters (in cases of conducting only type-I small amount electronic public offering service, excluding the matters specified in sub-items (b) through (e)):

(a) the type of the securities handled, and the type of the derivatives transactions conducted on a regular basis (in the cases the securities in question are electronically recorded transferable rights, etc. to be indicated on securities, or the derivatives transactions in question are the derivatives transactions prescribed in Article 29-2, paragraph (1), item (viii) of the Act, including that fact and the matters set forth in sub-item (b) or (c) of the following item, and in the cases of conducting commodity-related business, including commodities that are subject of transactions or financial indexes related to commodities);

(b) the following matters related to the method of managing risk of loss:

1. the method of calculating the value of loss risk equivalent (including the market risk equivalent amount specified in Article 178, paragraph (1), item (i), the counterparty risk equivalent amount specified in item (ii) of that paragraph, and the basic risk equivalent amount specified in item (iii) of that paragraph; hereinafter the same applies in this item);
2. the method of establishing the ceiling on the value of loss risk equivalent and of applying the ceiling;
3. the name and structure of the section in charge of calculating the value of loss risk equivalent and managing of the ceiling;
4. the method of preparing and preserving the materials that serve as the basis for the calculation of the value of loss risk equivalent;
5. the frequency of inspection of the value of loss risk equivalent and the status of the application of the ceiling, and the name and structure of the section in charge of the inspection;
6. any other material matters related to the management of risk of loss;

(c) if the applicant for registration is to conduct business related to over-the-counter derivatives transactions etc. (excluding electronic trading platform management service), the following matters:

1. the name and title of the person responsible for the management of the business;
2. the name and organizational structure of the department that conducts the business;
3. the standards for initiating a transaction with customers related to the business;
4. the method and frequency of calculating the value of loss risk equivalent related to the business (the information is to be stated by the risk of loss which may accrue due to fluctuations in indexes such as

- quotations on the financial instruments exchange market, interest rates, or currency value, risk of loss which may accrue due to default in the performance of contract by counterparties to the transactions, and other reasons, and risk of loss which may accrue due to reasons other than those reasons);
5. the method of establishing and applying a ceiling on the value of loss risk equivalent related to the business, and the method of establishing and applying the ceiling for each type of transactions and customer attributes;
  6. the name and structure of the department that calculates the value of loss risk equivalent related to the business and that manages the ceiling on the value;
  7. the frequency of reporting the value of loss risk equivalent related to the business and the status of the application of the ceiling on the value to directors or executive officers that have the right of representation (in the case of a foreign corporation, its directors, executive officers, or a person equivalent to them who are stationed at a business office or office in Japan, or its representative in Japan);
  8. the means of preparing and preserving materials that serve as the basis for the calculation of the value of loss risk equivalent related to the business;
  9. the frequency of inspection on the execution of the business, the value of loss risk equivalent, and the status of application of the ceiling on the value, and the name and structure of the department that conducts the inspection; and
  10. any other material matters concerning the management of risk of loss related to the business;
- (d) if the applicant for registration is to conduct business related to the wholesale underwriting of securities, the following matters:
1. the name and title of the person responsible for managing the business;
  2. the name and organizational structure of the department in charge of the business;
  3. the method of calculating the value of loss risk equivalent related to the business;
  4. the method of the establishing and applying a ceiling on the value of loss risk equivalent related to the business;
  5. the name and structure of the department in charge of the calculation of the value of loss risk equivalent related to the business and the management of the ceiling;
  6. the frequency of inspection, the name of the department, and the structure of the department concerning the execution of the business,

- the value of loss risk equivalent and status of the application of the ceiling, and the name and structure of the section in charge of the inspection; and
7. any other material matters concerning the management of risk of loss related to the business;
- (e) if the applicant for registration is to conduct securities, etc. management business, the means of management under the provisions of Articles 43-2 through 43-3 of the Act;
- (f) if the applicant for registration is to conduct securities-related business, the following matters concerning the measures set forth in the items of Article 70-4, paragraph (1):
1. the means of implementing the measures; and
  2. the organization in charge of implementing the measures and its assignment of personnel ; and
- (g) if the applicant for registration is to conduct electronic trading platform management services, the following matters:
1. the type and specific details of the specified over-the-counter derivatives transactions to be conducted in relation to the electronic trading platform management service;
  2. the name and title of the person responsible for managing electronic trading platform management services;
  3. the name and organizational structure of the department that conducts the electronic trading platform management service and the department that conducts the business related to the publication based on the provisions of Article 40-7, paragraph (2) of the Act (if a part of the electronic trading platform management service or a part of the business relating to the publication under that paragraph is entrusted to another person, including that person);
  4. the standards for initiating a transaction with customers related to the electronic trading platform management service, and the method of managing the customers;
  5. the matters related to the fees;
  6. the means of publicizing quotes for bids and offers, and other price information to customers (limited to the means of using an electronic data processing system or other electronic means);
  7. the method for deciding the transaction price (for a specified over-the-counter derivatives transactions, if the amount designated by the party concerned as a notional principal does not exceed the amount specified in the items of Article 125-8, paragraph (2) in accordance with the category of the period that commences on the day when the specified over-the-counter derivatives transaction becomes effective to the day

- when the transaction ceases to be effective specified in each of those items, limited to the method that enables the customers to choose the method set forth in the following i., or the method set forth in the following i. or ii.), and the time when the transaction is closed:
- i. the method of using a price based on quotes for their own bids and offers or the customer's bids and offers that are publicized pursuant to the provisions of 6.;
  - ii. the method of using a price based on a negotiation among customers (limited to a negotiation conducted after making a request to three or more other customers based on the designation by a customer to present the quotes for the bids or offers, and notifying the customer of the quotes for bids or offers presented by the other customers in response to the request, the quotes for bids or offers publicized pursuant to the provisions of 6., and the quotes for bids or offers presented by the applicant for registration themselves);
8. the method of the publication based on the provisions of Article 40-7, paragraph (2) of the Act;
  9. the outline, installation location, capacity, and maintenance method of the electronic data processing system used for the electronic trading platform management service, and the method of handling in the case of malfunction of the electronic data processing system;
  10. the method of settlement for the electronic trading platform management service (including the method for having a financial instruments clearing organization (including a collaborating clearing organization, etc., if the financial instruments clearing organization is to conduct collaborating financial instruments obligation assumption service) or a foreign financial instruments clearing organization appropriately and promptly assume the obligations arising from the transactions set forth in Article 156-62, item (i) or (ii) of the Act), and the method of handling in the case of default in performance of contract by a customer;
  11. the method of preparing and preserving the transaction records for the electronic trading platform management service;
  12. the frequency of the inspection on the status of the execution of the electronic trading platform management service, and the name and structure of the section in charge of such inspection;
  13. the method of the prevention of unfair transactions, and any other matters relating to the securing of fair transactions; and
  14. any other material matters concerning the management of risk of loss related to the electronic trading platform management service.
- (h) if the applicant for registration receives or provides information in the

cases prescribed in Article 123, paragraph (1), item (xviii), sub-item (e) and item (xxiv), sub-item (d), and Article 153, paragraph (1), item (vii), sub-items (g) and (i), the following matters concerning work related to the maintenance and management of an electronic data processing system and work related to internal management and operation prescribed in paragraph (3) of that Article:

1. the trade name or name of the registered financial institution, or parent corporation, etc. or subsidiary corporation, etc., that receives or provides the information;
  2. the method of conducting business; and
  3. the organization in charge of the business and its assignment of personnel ;
- (vii) if the applicant for registration is to conduct type-II financial instruments business, the following matters:
- (a) the type of the securities to be handled, and the type of the derivative transactions to be conducted on a regular basis (in cases where the securities in question are electronically recorded transferable rights to be indicated on securities, etc. or the derivatives transactions in question are derivatives transactions prescribed in Article 29-2, paragraph (1), item (viii) of the Act, including that fact);
  - (b) if the applicant for registration is to handle the rights set forth in Article 2, paragraph (2), item (i) or (ii) of the Act, the type of the trust property related to the rights;
  - (c) if the applicant for registration is to handle the rights set forth in Article 2, paragraph (2), item (v) or (vi) of the Act, the outline of the business subject to investment related to the rights; and
  - (d) in cases of conducting the business prescribed in Article 29-5, paragraph (2) of the Act, that;
  - (e) in cases of conducting the business prescribed in item (xi) of the preceding Article, the management methods under the provisions of Article 43-2 and Article 43-3 of the Act;
- (viii) if the applicant for registration is to conduct an investment advisory and agency business, the following matters:
- (a) the type of the investment advisory and agency business (meaning the types of business related to the acts set forth in Article 2, paragraph (8), items (xi) and (xiii) of the Act);
  - (b) the type of the securities and rights related to derivative transactions regarding which the applicant for registration intends to give advice;
  - (c) if the applicant for registration is to give advice in relation to the rights set forth in Article 2, paragraph (2), item (i) or (ii) of the Act, the type of trust property related to such rights;

- (d) if the applicant for registration is to give advice in relation to the rights set forth in Article 2, paragraph (2), item (v) or (vi) of the Act, the outline of the business subject to investment related to those rights;
- (ix) if the applicant for registration is to conduct investment management business, the following matters:
  - (a) the types of the investment management business (meaning the types of business related to the act set forth in Article 2, paragraph (8), item (xii) of the Act which concerns the contract set forth in (a) of that item, the act set forth in that item which concerns the contract set forth in (b) of that item, the act set forth in item (xiv) of that paragraph, and the act set forth in item (xv) of that paragraph which concerns any of the rights set forth in sub-items (a) through (c) of that item; in cases of conducting investment management business for qualified investors, including that fact);
  - (b) the type of the securities and type of the rights related to the derivative transactions for which the investment is to be made (if the securities are electronically recorded transferable rights to be indicated on securities, etc. or that the derivatives transactions are the derivatives transactions prescribed in Article 29-2, paragraph (1), item (viii) of the Act, including that fact);
  - (c) if any of the rights specified in Article 2, paragraph (2), item (i) or (ii) of the Act is to become the subject of investment, the type of trust property related to the rights;
  - (d) if any of the rights specified in Article 2, paragraph (2), item (v) or (vi) of the Act is to become the subject of investment, the outline of the business subject to investment related to the rights; and
  - (e) if any asset other than the securities or the rights related to the derivative transactions is to become the subject of investment, the type of the asset;
- (x) if the applicant for registration is to conduct electronic public offering services (meaning the electronic public offering services provided for in Article 29-2, paragraph (1), item (vi) of the Act, and limited to services conducted in relation to the securities set forth in the items of Article 3 of the Act or the securities not listed on any financial instruments exchange (excluding the securities set forth in the items of Article 15-4-2 of the Order; the same applies hereinafter)), the following matters:
  - (a) the type of securities to be handled (if the securities fall under the electronically recorded transferable rights to be indicated on securities, etc., including that fact);
  - (b) if the applicant for registration is to conduct only type-I small amount electronic public offering service among the type I financial instruments businesses, that fact (if the applicant for registration is to receive money



- deposited by customers in relation to that business, including that fact);
- (c) if the applicant for registration is to conduct only type-II small amount electronic public offering service among the type II financial instruments businesses, that fact;
  - (d) if the applicant for registration is to conduct electronic-based application type electronic public offering services) (meaning the electronic-based application type electronic public offering services provided for in Article 70-2, paragraph (3); the same applies in Article 149, item (i), sub-item (a) and Article 150, item (i), sub-item (c)), that fact;
- (xi) if the applicant for registration is to conduct high-speed trading as part of their financial instruments business, the following matters:
- (a) the outline of the transaction strategy for each of transaction strategy (including the following matters):
    - 1. the type of transaction strategy;
    - 2. the name or trade name of the financial instruments exchange, etc.  
(meaning a person specified in Article 26, paragraph (1) of the Cabinet Office Order on Definitions under Article 2 of the Financial Instruments and Exchange Act; the same applies hereinafter) related to high-speed trading;
    - 3. the type of securities or market derivatives transactions subject to high-speed trading;
  - (b) the name and title of the person responsible for the management of the business pertaining to high-speed trading (including the person responsible for making a decision referred to in Article 2, paragraph (41) of the Act and the creation of programs (meaning a series of instructions given to a computer which is combined in order to obtain a single result; the same applies hereinafter) for high-speed trading and the management of the electronic data processing system and other facilities; the same applies hereinafter);
  - (c) the outline, installation location, and maintenance method of the electronic data processing system and other facilities for high-speed trading; and
  - (d) the details of the measures to ensure sufficient management of the electronic data processing system and other facilities for high-speed trading.
- (xii) if the registration applicant is to conduct any of the following acts with regard to the derivative transactions prescribed in Article 29-2, paragraph (1), item (ix) of the Act on a regular basis, the name of the cryptoassets and financial indexes related to the derivative transactions specified in sub-item (a) or (b) in accordance with the category of the act prescribed in either sub-item (a) or (b):

- (a) the acts set forth in Article 2, paragraph (8), items (i) through (v) of the Act: the derivative transactions to be conducted on a regular basis; or
- (b) the acts set forth in Article 2, paragraph (8), item (xii), item (xiv), or item (xv) of the Act: the derivative transactions which is to be the subject of investment.

(Documents to Be Attached to Written Applications for Registration)

Article 9 The documents specified by Cabinet Office Order as prescribed in Article 29-2, paragraph (2), item (ii) of the Act are as follows:

- (i) the documents stating the personnel structure and the system for conducting business of the organization;
- (ii) if the applicant for registration is a corporation, the following documents:
  - (a) the resumes of the officers (including the persons that are found to have equivalent or greater control over the corporation as directors, executive officers, or any persons equivalent to them, irrespective of their title such as advisor or consultant; hereinafter the same applies in this item, Article 13, items (i), (ii) and (iv), Article 47, paragraph (1), item (ii), Article 49, items (i), (ii) and (iv), Article 199, item (ii), Article 201, item (ix), Article 202, item (viii), Article 208-20, items (ii) through (vi), Article 208-22, item (ii), (c), Article 208-31, paragraph (1), item (iv), and paragraph (2), item (iv), Article 208-32, item (ii), Article 238-2, paragraph (1), item (i), Article 241, paragraph (1), item (v), Article 241, paragraph (2), item (i), Article 241-2, item (ii), Article 242, paragraph (1), item (iv), Article 242-2, paragraph (1), item (ii), Article 329, paragraph (1), item (ii), the items of Article 332, Article 341, item (ii), Article 342, paragraph (1), item (v) and Article 343, paragraph (1), item (iv)) (if an officer is a corporation, the document stating the background of the officer); and the resume of the employee prescribed in Article 15-4 of the Order (hereinafter referred to as "important employee", excluding Article 47, paragraph (1), item (ii), Article 51, paragraph (1), item (iv), Article 91, paragraph (1), item (iv), Section 6, and Section 6-2);
  - (b) an extract of the resident record of the officers and important employees (if an officer is a corporation, the certificate of registered information of the officer), or alternative documents;
  - (c) if the former surname (meaning the former surname prescribed in Article 30-13 of the Enforcement Order of the Residential Basic Book Act (Cabinet Order No. 292 of 1967); the same applies hereinafter) and given name of the officer or important employee are stated together with the current name of the officer or important employee in a written application for registration under Article 29-2, paragraph (1) of the Act, and the document specified in (b) is not a document certifying the former surname and given

- name of the officer or important employee, a document certifying the former surname and given name;
- (d) the certificate issued by the public agency evidencing that none of the officers or important employees falls under Article 29-4, paragraph (1), item (ii), sub-item (b) of the Act, or alternative documents;
  - (e) the document in which each of the officers and the important employees pledges that they do not fall under any of Article 29-4, paragraph (1), item (ii), sub-items (a) or sub-items (c) through (i) of the Act;
- (iii) if the applicant for registration is an individual, the following documents:
- (a) the resumes of the applicant for registration and the important employees;
  - (b) extracts of the resident records of the applicant for registration and the important employees, or alternative documents;
  - (c) if the former surname and given name of the applicant for registration or important employee are stated together with the current name of the applicant for registration or the important employee in a written application for registration under Article 29-2, paragraph (1) of the Act, and the document specified in sub-item (b) is not a document certifying the former surname and given name of the applicant for registration or the important employee, a document certifying the former surname and given name;
  - (d) the certificate issued by a public agency evidencing that none of the applicant for registration or the important employees falls under Article 29-4, paragraph (1), item (ii), sub-item (b) of the Act, or alternative documents; and
  - (e) the document in which each of the important employees pledges that they do not fall under any of Article 29-4, paragraph (1) item (ii), sub-item (a) or sub-items (c) through (g) of the Act;
- (iv) the document stating the following matters as the status of the persons in specified relationship (meaning the parent corporation, etc., subsidiary corporation, etc. and holding company (meaning the holding company prescribed in Article 29-4, paragraph (3) of the Act; hereinafter the same applies except in Article 198); and if the applicant for registration is to conduct type-I financial instruments business, including an associated company (meaning a related company prescribed in Article 177, paragraph (6); the same applies in sub-item (f)); the same applies in sub-item (e)):
- (a) the trade name or name;
  - (b) the amount of stated capital, the total amount of funds or the total amount of investment;
  - (c) the location of the head office or principal office;
  - (d) the type of business;

- (e) the capital relationship and personnel relationship between the applicant for registration and the persons in specified relationship, and their business relationship over the past year;
- (f) distinction of whether the persons in specified relationship falls under a parent corporation, etc., a subsidiary corporation, etc., or a holding company (if the applicant for registration is to conduct type-I financial instruments business, whether the persons in specified relationship falls under a parent corporation, a subsidiary corporation, etc., a holding company, or an associated company);
- (v) if the applicant for registration is to conduct type I financial instruments business, type II financial instruments business, or investment management business, and will not belong to a financial instruments firms association (limited to an association that has a person conducting business to be performed by an applicant for registration as a principal association member or a member), the internal rules concerning the business;
- (vi) if the applicant for registration is to conduct business related to commodities investment for racehorses, a document certifying that the applicant for registration does not satisfy the criteria specified in Article 13, item (iii);
- (vii) if the applicant for registration is to conduct the business of purchase and sale, etc. of beneficial interest in real property trust, a document certifying that the applicant for registration does not satisfy the criteria set forth in Article 13, item (iv);
- (viii) a document stating the matters related to the applicant for registration's ability to carry out the business, if the applicant for registration is to conduct specified investment management business related to real property;
- (ix) if the applicant for registration is to conduct high-speed trading as part of its financial instruments business, the following documents:
  - (a) if the applicant for registration is an individual that has a domicile in a foreign country, the following documents:
    1. an extract of the resident record of the agent in Japan (if the agent in Japan is a corporation, a certificate of registered information of the agent in Japan), or alternative documents;
    2. if the former surname and given name of the agent in Japan are stated together with the current name of the agent in Japan in a written application for registration referred to in Article 29-2, paragraph (1) of the Act, and the document set forth in 1. is not a document certifying the former surname and given name of the agent in Japan, a document certifying the former surname and given name;
  - (b) if the applicant for registration is an individual, a document prepared by using the Appended Form 1-2;

- (c) the resume of the person responsible for the management of the business pertaining to high-speed trading; and
- (d) if the applicant for registration is to conduct high-speed trading as part of the type-II financial instruments business (excluding the case in which the applicant conducts type-I financial instruments business or investment management business), a document stating the calculated net assets (meaning the net assets provided in Article 66-53, item (vii) of the Act; the same applies in Article 201, item (xxvii), sub-item (b), Article 202, item (xix) and Chapter V).
- (x) in the case prescribed in item (xii) of the preceding Article, a document explaining the outline of the cryptoassets and financial indexes set forth in that item.

Article 10 (1) The documents specified by Cabinet Office Order as prescribed in Article 29-2, paragraph (2), item (iii) of the Act are as follows:

- (i) the latest balance sheet (including the related notes) and the latest profit and loss statement (including the related notes);
- (ii) if the applicant for registration is to conduct type-I financial instruments business or investment management business, the following documents:
  - (a) a document stating the calculated net assets (meaning the net assets prescribed in Article 29-4, paragraph (1), item (v), sub-item (b) of the Act; hereinafter the same applies in this Chapter (excluding Article 201, item (xxvii), (b) and Article 202, item (ix));
  - (b) a document stating the major shareholders' trade names or names (meaning the major shareholders defined in Article 29-4, paragraph (2) of the Act; hereinafter the same applies in this item, Article 38-2, Article 38-5, Article 199, item (xi), sub-item (c), Article 201, item (xx), Article 202, item (v), sub-item (b), and item (xvi), Article 208-31, paragraph (1), item (xi) and paragraph (2), item (viii), and Article 208-32, item (ix)), and the locations of their head offices or principal offices (if a major shareholder is an individual, the domicile or residence), and the number of the subject voting rights held by the major shareholders (meaning the subject voting rights defined in Article 29-4, paragraph (2) of the Act, and including those deemed to be held pursuant to the provisions of paragraph (5) of that Article);
  - (c) for a foreign corporation, a document certifying that a confirmation prescribed in Article 29-4, paragraph (1) item (v), sub-item (f) of the Act has been made with regard to a person equivalent to a major shareholder, or an equivalent document;
- (iii) if the applicant for registration is to conduct type I financial instruments business, the following documents (in cases of conducting only type-I small

amount electronic public offering service, excluding the documents set forth in sub-items (b) and (c)):

- (a) if the applicant for registration is a foreign corporation, a document certifying that the applicant for registration is a person conducting the same type of business as the type I financial instruments business in a foreign country in accordance with foreign laws and regulations (including a person prescribed in Article 15-8 of the Order);
  - (b) a document stating the calculated ratio prescribed in Article 29-4, paragraph (1), item (vi), sub-item (a) of the Act;
  - (c) if the applicant for registration is to conduct business related to over-the-counter derivatives transactions, etc. (excluding electronic trading platform management service) or business related to the wholesale underwriting of securities, the following documents:
    - 1. the resume of the responsible person for managing the business;
    - 2. the internal rules regarding the business;
    - 3. the contracts to be used in transactions with customers in connection with the business;
  - (d) if the applicant for registration is to conduct an electronic trading platform management service, the following documents:
    - 1. the resume of the person responsible for the electronic trading platform management service;
    - 2. the internal rules concerning the electronic trading platform management service;
    - 3. contract documents to be used when conducting transactions with customers concerning electronic trading platform management service and documents attached to them; and
    - 4. an appraisal report issued by a person not in a special interest relationship with the applicant for registration concerning the matters set forth in Article 8, item (vi), sub-item (g), 9.
- (2) If the applicant for registration attaches the documents set forth in item (i) of the preceding paragraph, if the balance sheet (including the related notes) has been prepared as an electronic or magnetic record, or if a profit and loss statement (including the related notes) has been prepared as an electronic or magnetic record, in lieu of a written document, that applicant for registration may attach the electronic or magnetic record (limited to those specified in the following Article) in lieu of documents.

(Electronic or Magnetic Records)

Article 11 (1) The electronic or magnetic record to be specified by Cabinet Office Order as referred to in Article 29-2, paragraph (3) and Article 33-3, paragraph (3) of the Act must have a structure specified in the following items:

- (i) a 90mm flexible magnetic disc cartridge which complies with Japanese Industrial Standards X6223 based on the Industrial Standardization Act (Act No. 185 of 1949) (hereinafter referred to as "JIS"); or
  - (ii) a 120mm optical disc that complies with JIS X0606 and X6282.
- (2) Record in an electronic or magnetic record referred to in item (i) of the preceding paragraph must be made by the following methods
- (i) for the track format, the method specified by JIS X6225; and
  - (ii) for the volume and file configuration, the method specified by JIS X0605.
- (3) the following matters must be stated in the electronic or magnetic record referred to in paragraph (1):
- (i) the trade name or name of the applicant for registration; and
  - (ii) the date of application.

(Public Inspection of the Register of Financial Instruments Business Operators)

Article 12 The competent Director-General of a Local Finance Bureau, etc. is to keep the register of financial instruments business operators which contains information on the financial business operator to whom the Director-General has granted registration at the local finance bureau with jurisdiction over the locality of the financial instruments business operator's head office, etc. (if the locality falls within the jurisdictional district of the Fukuoka Local Finance Branch Bureau, at the Fukuoka Local Finance Branch Bureau; if the financial instruments business operator does not have a business office or an office in Japan, at the Kanto Finance Bureau), and make the register available for public inspection.

(Criteria for Examination of Personnel Structure)

Article 13 When conducting an examination prescribed in Article 29-4, paragraph (1), item (i), sub-item (e) of the Act (including as applied mutatis mutandis pursuant to Article 31, paragraph (5) of the Act) on whether the applicant for registration has a sufficient personnel structure to appropriately conduct financial instruments business, it is to be examined whether the applicant for registration falls under any of the following criteria:

- (i) the applicant for registration is found not able to appropriately conduct business in light of the situation of securing officers or employees that have sufficient knowledge and experience for conducting the business and its organizational structure;
- (ii) the applicant for registration is found to be likely to cause loss of credibility of financial instruments business due to having an officer or employee with quality inappropriate for the operation of business, in light of their personal history, relationship with the organized crime group as defined in Article 2,

- item (ii) of the Act on Prevention of Unjust Acts by Organized Crime Group Members (Act No. 77 of 1991), or relationship with the organized crime group members as defined item (vi) of that Article or any other circumstances;
- (iii) if the applicant for registration is to conduct business related to commodities investment for racehorses, the applicant for registration does not satisfy the following requirements:
- (a) the applicant for registration has been given guidance by the Japan Racing Association or the National Association of Racing in advance;
  - (b) the business related to commodities investment to be conducted by the applicant for registration only falls under either the business related to investment in racehorses related to the rights specified in Article 7, item (iv), sub-item (d), 1. or the business related to investment in racehorses related to the rights specified in Article 7, item (iv), sub-item (d), 2.;
  - (c) if the applicant for registration is to conduct business related to investment in racehorses related to the rights set forth in Article 7, item (iv), sub-item (d), 2., they have obtained the registration referred to in Article 13, paragraph (1) of the Horse Racing Act (including as applied *mutatis mutandis* pursuant to Article 22 of that Act);
- (iv) if the applicant for registration is to conduct the business of purchase and sale, etc. of beneficial interest in real property trust, they do not satisfy the following requirements:
- (a) the applicant for registration has assigned its officers or employees that have expert knowledge of and experience in transactions related to building lots or buildings to each of the following departments:
    1. the department in charge of supervising the business of purchase and sale, etc. of beneficial interest in real property trust;
    2. the department in charge of internal audit;
    3. the department in charge of the work concerning the guidance for ensuring compliance with laws and regulations, etc. (meaning the laws and regulations, dispositions of administrative agencies issued based on laws and regulations, or the articles of incorporation and other rules; the same applies in Article 44, item (i), sub-item (a), Article 49, item (iv), sub-item (a), 3., Article 199, items (vii) and (xiii) sub-item (a), Article 200, item (vi), Article 208-31, paragraph (1), item (viii), sub-item (a), Article 220, item (vii), sub-item (b), Article 223, item (x), Article 232-8, item (x), Article 241-2, item (iv), Article 246-23, item (iv), Article 246-30, item (i), Article 328, item (v) and Article 341, item (v));
  - (b) the officers or the employees who conduct the business of purchase and sale, etc. of beneficial interest in real property trust have sufficient expert knowledge of and experience in transactions of building lots or buildings necessary for giving explanations by the means and to the extent that is



required for a customer to understand the matters set forth in the items of Article 85, paragraph (1), in light of the customer's knowledge, experience, status of property and the purpose of concluding a financial instruments transaction contract;

- (v) if the applicant for registration is to conduct a specified investment management business related to real property, they do not satisfy the requirements specified by the Commissioner of the Financial Services Agency.

(A Person Unable to Properly Perform Business Related to Financial Instruments Business Due to a Mental or Physical Disorder)

Article 13-2 The person specified by Cabinet Office Order as prescribed in Article 29-4, paragraph (1), item (ii), sub-item (a) of the Act is a person who is unable to adequately carry out the cognition, decision making, and communication necessary for properly performing business related to financial instruments business due to a mental impairment.

(Calculation of Net Assets)

Article 14 (1) The net assets calculated pursuant to the provisions of Article 29-4, paragraph (1), item (v), sub-item (b) of the Act (including as applied mutatis mutandis pursuant to Article 31, paragraph (5) of the Act) must be calculated by deducting the total amount to be recorded in the liabilities section of the balance sheet (excluding the sum of the amounts set forth in the following items) from the total amount to be recorded in the assets section of the balance sheet:

- (i) the financial instruments transaction liability reserve;
  - (ii) if the applicant for registration has any allowance or reserve funds which are required to be recorded in the liabilities section pursuant to the provisions of laws and regulations and which have the nature of retained earnings in connection with another business conducted by the applicant, the allowance or reserve funds.
- (2) The appraisal of assets and liabilities referred to in the preceding paragraph must be made based on the value appraised in accordance with the corporate accounting standards generally accepted as fair and appropriate on the day of the calculation.
- (3) In the case referred to in the preceding paragraph, if the case falls under any of the following items, the amount prescribed in each of those items is to be the appraised amount:
- (i) if a monetary claim or bonds without a market price is likely to become uncollectible: the amount after deducting the estimated uncollectible amount;
  - (ii) if, with regard to shares without a market price, the status of the assets of

- the company issuing the shares has deteriorated substantially: the amount after appropriate reduction is made;
- (iii) if the market value of the current assets other than those referred to in the preceding two items is substantially lower than their book value, and it is considered difficult for the value to recover to the level of the book value: that market value;
  - (iv) if there is underdepreciation, or unpredictable impairment loss was incurred for the fixed assets other than those referred to in item (i) or (ii): the amount after deducting the underdepreciation, or the amount after appropriate reduction has been made;
  - (v) if there is underdepreciation for deferred assets: the amount after deducting the amount of the underdepreciation.

(A Person Unable to Properly Exercise the Right of a Shareholder Due to a Mental or Physical Disorder)

Article 14-2 The person specified by Cabinet Office Order as prescribed in Article 29-4, paragraph (1), item (v), sub-item (d), 1. and sub-item (e), 3., a. of the Act (including as applied mutatis mutandis pursuant to Article 31, paragraph (5) of the Act) is a person who is unable to adequately carry out the cognition, decision making, and communication necessary for properly exercising the right of a shareholder due to a mental impairment.

(Facts Presumed to Have Material Impact on Decisions on Company's Financial and Operational Policies)

Article 15 The facts specified by Cabinet Office Order as prescribed in Article 29-4, paragraph (2) of the Act (including as applied mutatis mutandis pursuant to Article 31, paragraph (5) of the Act) are as follows:

- (i) the fact that a person who is or was an officer or employee, who is able to influence the decision on the company's financial policies and operational or business policies has assumed the position of the company's director, executive officer, or any other position equivalent to them;
- (ii) the fact that an important loan has been provided to the company;
- (iii) the fact that an important technology is provided to the company;
- (iv) the fact that important operational or business transactions are conducted with the company; and
- (v) the fact that a fact presumed to have a material impact on decisions on the company's financial policies and operational or business policies exists.

(Voting Rights Excluded from Voting Rights Held In Consideration of the Manner in Which They are Held and Other Circumstances)

Article 15-2 The voting rights specified by Cabinet Office Order as prescribed in

Article 29-4, paragraph (2) of the Act (including as applied mutatis mutandis pursuant to Article 31, paragraph (5) of the Act) are as follows:

- (i) the voting rights held by a person engaged in trust business (meaning the trust business as defined in Article 2, paragraph (1) of the Trust Business Act (Act No. 154 of 2004)) as trust property (excluding the voting rights for which that person has been granted the authority to exercise, or the authority to give guidance on their exercise);
- (ii) the voting rights related to the shares or equity owned by a corporation, if a person having the representative authority for the corporation or a manager having the authority to act as an agent of the corporation has been granted the authority to exercise the voting rights or to give guidance on the exercise of the voting rights, or has the authority required for making an investment, based on the representative authority or authority to act as an agent;
- (iii) if an officer or employee of the company has acquired the company's shares jointly with another officer or employee of the company (limited to the acquisition according to a certain plan, which is not based on individual investment decisions and the shares are continuously acquired, and the amount to be contributed by each officer or employee at one time is less than one million yen) (if the company acquires shares other than those acquired based on the provisions of Article 156, paragraph (1) of the Companies Act (Act No. 86 of 2005) (including as applied pursuant to the provisions of Article 165, paragraph (3) of that Act following the deemed replacement of terms), limited to cases in which the acquisition is made by entrustment to a financial instruments business operator) the voting rights related to the company's shares owned by a person entrusted with the company's shares acquired (excluding the voting rights for which the person so entrusted has the authority to exercise or the authority to give instructions on their exercise);
- (iv) the voting rights related to shares or equity owned by an heir as their inherited property (limited to the shares or equity owned before the day when the heir (excluding the case of a joint inheritance) gave an unqualified acceptance (including if an unqualified acceptance is deemed to have been given) or a qualified acceptance, or the shares or equity for which the coheirs of the inherited property have not divided);
- (v) the voting rights related to the shares owned by a person engaged in a securities-related business in the course of business related to the underwriting of securities (excluding shares owned on or after the day following the payment date for the shares (or on or after the day following the delivery date for the shares, in cases of the secondary distribution of securities or solicitation for selling, etc. only for professional investors) (if the person performs an action set forth in Article 2, paragraph (6), item (iii)

of the Act, the day after five days (Sunday and the number of holidays prescribed in Article 14-5 of the Order are not included in the five days) have passed from the day when the share option certificates related to unexercised share options prescribed in that item are acquired)); and  
(vi) the voting rights held by the Banks' Shareholding Purchase Corporation.

(Amount of Total Assets)

- Article 16 (1) The total amount of assets calculated by the method specified by Cabinet Office Order as prescribed in Article 29-4, paragraph (3) of the Act (including as applied *mutatis mutandis* pursuant to Article 31, paragraph (5) of the Act; hereinafter the same applies in this Article) is the total amount of assets stated in the latest balance sheet of a company (if the first business year of the company after its incorporation is not completed, the balance sheet on the day of the incorporation of the company), and if there is issuance of shares for subscription provided for in Article 199, paragraph (1) of the Companies Act, delivery of shares as a result of exercise of share options, issuance of corporate bonds, share exchange, partial share exchange, merger, company split, acquisition of business, transfer of business, or any other material change in the company's assets after the last day of the business year related to the balance sheet (if the first business year of the company after its incorporation is not completed, the day of the incorporation of the company), the amount obtained after adding or deducting the changes in the amount of total assets as a result of these changes.
- (2) The assets specified by Cabinet Office Order as prescribed in Article 29-4, paragraph (3) of the Act are loans provided to the parent company of a financial instruments business operator (meaning a parent company prescribed in Article 57-2, paragraph (8) of the Act, and limited to a company designated by the Commissioner of the Financial Services Agency) to its subsidiary company (meaning a subsidiary company prescribed in Article 29-4, paragraph (4) of the Act, and limited to a company designated by the Commissioner of the Financial Services Agency) and any other assets designated by the Commissioner of the Financial Services Agency.
- (3) The amount calculated by the method specified by Cabinet Office Order as prescribed in Article 29-4, paragraph (3) of the Act is the total amount of assets prescribed in the preceding paragraph which is stated in the financial statements and their annexed detailed statements for the final business year of the company prepared pursuant to the provisions of Article 435, paragraph (2) of the Companies Act (or, if the first business year of the company after its incorporation is not completed, the total amount of assets prescribed in that paragraph stated in the balance sheet at the time of the incorporation of the company).

(Publication of Trade Name and Other Information by Type-I Small Amount Electronic Public Offering Service Providers)

Article 16-2 (1) When a type-I small amount electronic public offering service provider makes a publication under the provisions of Article 29-4-2, paragraph (8) of the Act, they must clearly and accurately display the matters provided for in that paragraph on the screen of a computer used by a person that seeks to inspect those matters in an easily visible manner for that person.

(2) The matters specified by Cabinet Office Order as prescribed in Article 29-4-2, paragraph (8) of the Act are as follows:

- (i) the fact that the person is a type-I small amount electronic public offering service provider;
- (ii) the name of the financial instruments firms association to which the person is a member (if the person is not a member of a financial instruments firms association with principal association members or members that are persons conducting type I financial instruments business that the type I small amount electronic public offering service provider conducts (limited to the business that falls under the securities-related business), that fact);
- (iii) whether or not the person is a member of any investor protection fund (if the person is not a member, including the fact that claims held by the customers against the type-I small amount electronic public offering service provider are not eligible as claims subject to compensation provided for in Article 79-56, paragraph (1) of the Act);

(3) The means specified by Cabinet Office Order as prescribed in Article 29-4-2, paragraph (8) of the Act are the means in which the information recorded in the file stored on a computer used by a type-I small amount electronic public offering service provider are made available for public inspection via a telecommunications line.

(Total Issue Value and Method of Calculation of the Amount to Be Paid by Persons that Acquire Securities)

Article 16-3 (1) The method specified by Cabinet Office Order as prescribed in Article 15-10-3, item (i) of the Order means the method of adding up the total issue value of the securities subject to public offering or private placement (limited to those for which handling of public offering or handling of private placement is conducted as type-I small amount electronic public offering service or type-II small amount electronic public offering service) (if the securities are share option certificates, the sum of the total issue value of the share option certificates and the total amount to be paid upon the exercise of the share options related to the share option certificates; hereinafter the same applies in this paragraph) and the total issue value of the securities of the

same type (meaning the distinction of whether the securities fall under the category of the securities specified in Article 2, paragraph (1), item (ix) of the Act or the rights specified in item (v) or (vi) of that paragraph which are deemed to be securities pursuant to paragraph (2) of that Article; the same applies in the following paragraph) as the securities subject to the public offering or private placement to be implemented by the same issuer for the same subscription period (meaning the subscription period provided for in Article 70-2, paragraph (2), item (iv)) subject to the public offering or private placement of the securities as the public offering or private placement implemented by the same issuer within one year before the day of the commencement of the public offering or private placement of the securities (the securities of the same type are limited to those for which handling of public offering or handling of private placement has been or is conducted as type-I small amount electronic public offering service or type-II small amount electronic public offering service).

- (2) The method specified by Cabinet Office Order as prescribed in Article 15-10-3, item (ii) of the Order means the method of adding up the individual payment amount (meaning the amounts to be paid by each person that acquire the securities, and if the securities are share option certificates, the sum of that amount and the amount to be paid upon the exercise of the share options related to the share option certificates; hereinafter the same applies in this paragraph) for the securities subject to public offering or private placement and the individual payment amount for the public offering or private placement of the securities of the same type as the securities issued by a same issuer subscribed for or paid within a year before the day of the payment for the public offering or private placement for the securities.

(Publication of Trade Name and Other Information by Type-II Small Amount Electronic Public Offering Service Providers)

Article 16-4 (1) When a type-II small amount electronic public offering service provider makes a publication under the provisions of Article 29-4-3, paragraph (3) of the Act, they must clearly and accurately display the matters provided for in that paragraph on the screen of a computer used by a person that seeks to inspect those matters, in an easily visible manner for the person.

- (2) The matters specified by Cabinet Office Order as prescribed in Article 29-4-3, paragraph (3) of the Act are as follows:

- (i) the fact that the person is a type-II small amount electronic public offering service provider; and
- (ii) the name of the financial instruments firms association to which the person is a member (if the person is not a member of a financial instruments firms association with principal association members or members that are persons

conducting type II financial instruments business that the type II small amount electronic public offering service provider conducts (limited to the business which falls under the category of the securities-related businesses), that fact).

- (3) The means specified by Cabinet Office Order as prescribed in Article 29-4-3, paragraph (3) of the Act are the means in which the content of information recorded in the file stored on a computer used by a type-II small amount electronic public offering service provider has been made available for public inspection via a telecommunications line.

(Measures Concerning the Transfer of Securities Related to Solicitation for Acquisition by Financial Instruments Business Operators Who Conduct Investment Management Business for Qualified Investors)

Article 16-5 (1) The measures specified by Cabinet Office Order as prescribed in Article 15-10-6, item (i) of the Cabinet Order are technical measures for preventing the financial values to be transferred to persons other than qualified investors.

- (2) The matters specified by Cabinet Office Order as prescribed in Article 15-10-6, item (ii) of the Cabinet Order are the following matters:

(i) a person who seeks to make the acquisition does not transfer the securities that were acquired in response to the solicitation for acquisition (meaning the solicitation for acquisition as defined in Article 2, paragraph (3) of the Act; the same applies in the following item) to persons other than qualified investors; and

(ii) if a person who seeks to make the acquisition transfers the securities acquired in response to the solicitation for acquisition, the fact that the person is required to notify the other party that the purchase between a person who makes the solicitation for selling, etc. of the securities (meaning the solicitation for selling, etc. as defined in Article 2, paragraph (4) of the Act; hereinafter the same applies in this item) and a person who seeks to purchase those securities in response to the solicitation for selling, etc., is to be made on condition that the parties will conclude a contract related to the transfer for which it is stipulated that the person who seeks to make the purchase will not transfer the purchased securities to a person other than qualified investors.

(Persons that Have a Close Relationship with Financial Instruments Business Operators)

Article 16-5-2 The persons specified by Cabinet Office Order as prescribed in Article 15-10-7, item (iv) of the Order are the persons specified in the following items:

- (i) a subsidiary company, etc. of the financial instruments business operator (meaning a subsidiary company, etc. provided for in Article 15-16, paragraph (3) of the Order; hereinafter the same applies in this item, Article 33, paragraph (2), Article 34, Article 123, paragraph (1), item (xxx), paragraph (11), item (iii), and paragraph (12), Article 125-7, paragraph (2), item (ii), Section 6, and Section 6-2), or a subsidiary company, etc. of the parent company, etc. of the financial instruments business operator (meaning a parent company, etc. provided for in Article 15-16, paragraph (3) of the Order; the same applies in Article 123, paragraph (11), item (iii), and paragraph (12), Article 125-7, paragraph (2), item (ii), Section 6, and Section 6-2);
- (ii) a person that has received an entrustment of all or part of the authority for the investment of one investment property conducted by the financial instruments business operator;
- (iii) a person that has concluded a contract with the financial instruments business operator in which the person promises to provide the financial instruments business operator with oral advice, written advice (excluding newspapers, magazines, books, or other documents that is issued for the purpose of selling to many and unspecified persons and which many and unspecified persons can buy at any time), or other form of advice on investment decisions based on the value, etc. of property that is subject of transactions (hereinafter referred to as "transaction assets" in this item) (the value, etc. means the value of transaction assets, the amount receivable for options, or the trend of indexes related to transaction assets; hereinafter the same applies in this item) to be conducted by the financial instruments business operator as an investment of one investment property or based on the analysis of the value, etc. (meaning decisions on the types, quantities, and prices of property that is subject of investment, whether the type of transaction is purchase or sale, the means and timing of the transactions, or decisions on the content and timing of the transactions required to be conducted) and the financial instruments business operator promises to pay remuneration for that, or a person that has concluded a contract with the person in question which the person promises to provide the person in question with advice on the investment decisions by the means and the person in question promises to pay remuneration for that;
- (iv) an officer or employee of the person set forth in Article 15-10-7, item (iii) of the Order and the preceding three items; and
- (v) a relative of the person set forth in Article 15-10-7, items (i) and (ii) of the Order and the preceding three items (limited to a spouse and a relative by blood or by affinity within the third degree of kinship).



(Persons Equivalent to Professional Investors)

Article 16-6 The persons specified by Cabinet Office Order as prescribed in Article 29-5, paragraph (3) of the Act are the following persons:

- (i) a person specified in Article 17-12, paragraph (1), items (iii) through (v), item (viii), item (ix), item (xii), item (xiv), or item (xv) of the Order; and
- (ii) a counterparty to the private placement or handling of private placement of equity in the business subject to investment to be acquired (meaning the right set forth in Article 2, paragraph (2), item (v) or (vi) of the Act; the same applies hereinafter) who is specified in the items of Article 233-3.

(Persons Excluded from Persons Considered to be Qualified Investors)

Article 16-7 The person specified by Cabinet Office Order as prescribed in Article 29-5, paragraph (4), item (iii) of the Act is a special purpose company (meaning a special purpose company as defined in Article 33, paragraph (2)), for which a person other than qualified investors has acquired the right indicated on securities set forth in Article 2, paragraph (1) item (v), item (ix), or item (xv) of the Act or securities set forth in item (xvii) of that paragraph (limited to those that have the nature of the securities set forth in item (v), item (ix), or item (xv) of that paragraph) issued by that person, or the right set forth in paragraph (2), item (iii) or item (iv) of that Article (excluding the right with which the delivery of the property cannot be received in an amount exceeding the amount receivable of the acquisition).

(Content and Method of Business Related to Authorization)

Article 17 The matters specified by Cabinet Office Order as prescribed in Article 30-3, paragraph (2) of the Act are as follows:

- (i) the types of transactions conducted under the proprietary trading system operation;
- (ii) the name and title of the responsible person for managing the proprietary trading system operation;
- (iii) the name and organizational structure of the department in charge of the proprietary trading system operation (if a part of the proprietary trading system operation is entrusted to another person, including that person);
- (iv) the types, issues, and minimum unit of transaction of the securities handled under the proprietary trading system operation;
- (v) the standards for initiating a transaction with customers related to the proprietary trading system operation, and the method of managing customers;
- (vi) the method for deciding the trading price;
- (vii) the method of publicizing the quotes, trading price, and other price information;

- (viii) the outline, installation location, capacity, and maintenance method of the electronic data processing system used for the proprietary trading system operation, and the method of handling in the case of malfunction of the electronic data processing system;
- (ix) the method of transfer or other settlement procedures for the securities related to the proprietary trading system operation, and the method of handling a customer's default in performance of contract;
- (x) the matters concerning the grant of credit with regard to entrustment for a purchase and sale of securities by a financial instruments business operator that is a customer;
- (xi) the method for the preparation and preservation of the transaction records for the proprietary trading system operation;
- (xii) the frequency of the inspection on the status of the execution of the proprietary trading system operation, and the name and structure of the department in charge of the inspection; and
- (xiii) other material matters concerning the management of risk of loss or for securing fairness of the transactions, in regard to the proprietary trading system operation.

(Documents to Be Attached to Written Application for Authorization)

Article 18 The documents specified by Cabinet Office Order as prescribed in Article 30-3, paragraph (2) of the Act are as follows:

- (i) the resume of the responsible person for managing the proprietary trading system operation;
- (ii) the internal rules regarding the proprietary trading system operation;
- (iii) the contract documents used for transactions with customers in connection with the proprietary trading system operation; and
- (iv) the appraisal report on matters set forth in item (viii) of the preceding Article, which is prepared by a person that has no special interest in the applicant for authorization.

(Content and Method of Business that is Subject to Examinations)

Article 19 The content and method of business specified by Cabinet Office Order as prescribed in Article 30-4, item (v) and Article 31, paragraph (6) of the Act are as follows:

- (i) the matters set forth in Article 17, item (v), item (viii), item (x), and item (xi); and
- (ii) other material matters related to securing the fairness of transactions conducted under the proprietary trading system operation.

(Notification of Change to the Matters Stated in Written Application for

Registration)

Article 20 (1) A financial instruments business operator that files a notification pursuant to the provisions of Article 31, paragraph (1) of the Act must submit to the Commissioner of the Financial Services Agency or the competent Director-General of a Local Finance Bureau a written notification stating the content and the date of the change, and the reason for the change, by attaching a document stating the content of the notification after the change prepared by using the Appended Form No. 1, a copy of the document, and the documents specified in the following items in accordance with the category of the cases set forth in each of those items; provided, however, that, if there are compelling reasons, it is sufficient to submit the documents specified in each of the following items without delay after the submission of the notification:

- (i) if there is any change to the matters set forth in Article 29-2, paragraph (1), item (i) of the Act: the following documents:
  - (a) a certificate of registered information stating the changed information (for an individual, an extract of the resident record) or alternative documents; and
  - (b) if the former surname and given name are stated together with the current name in a document stating the changed content which is prepared by using the Appended Form 1 and the document set forth in sub-item (a) is not a document certifying the former surname and given name, a document certifying the former surname and given name;
- (ii) if there is any change to the matters set forth in Article 29-2, paragraph (1), item (ii) of the Act or the matters specified in Article 7, item (xii): the certificate of the registered information stating the changed matters, or alternative documents;
- (iii) if there is any change to the matters set forth in Article 29-2, paragraph (1), item (iii) or (iv) of the Act: the following documents:
  - (a) the documents stating the personnel structure and the system for conducting business of the organization;
  - (b) when there is a change of officers, the certificate of registered information stating the changed matters, or alternative documents;
  - (c) the following documents in relation to a person that has newly assumed the position of officer or important employee:
    - 1. the resumes (if the officer is a corporation, the document stating the background of the officer);
    - 2. an extract of the resident record (if the officer is a corporation, the certificate of registered information of the officer), or alternative documents;
    - 3. if the former surname and given name are stated together with the current name in the document stating the changed content which is

- prepared using the Appended Form 1, and the document set forth in 2. is not a document certifying the former surname and given name, a document certifying the former surname and given name;
4. the certificate issued by public agency certifying that the officers or employees do not fall under Article 29-4, paragraph (1), item (ii), sub-item (b) of the Act, or alternative documents;
  5. the documents with which the officer and important employee pledge that they do not fall under any of Article 29-4, paragraph (1), item (ii), sub-item (a), or sub-items (c) through (i) of the Act;
  6. if the financial instruments business operator is a corporation, a document pledging that it does not fall under Article 29-4, paragraph (1), item (ii) of the Act (limited to the part related to sub-item (a)); and
  7. if the financial instruments business operator is an individual, a document pledging that they do not fall under Article 29-4, paragraph (1), item (iii) of the Act (limited to the part related to item (ii), sub-item (a) of that paragraph);
- (iv) if there is any change to the matters set forth in Article 29-2, paragraph (1), item (x) of the Act (limited to cases in which the business office or office has been abolished): a document stating the content of the handling of customer's accounts accompanying the change;
- (v) if there is any change to the matters set forth in Article 7, item (iii)-2 (limited to cases in which the applicant is to conduct electronic trading platform management services), the following documents:
- (a) the resume of the responsible person for managing electronic trading platform management services;
  - (b) the internal rules concerning electronic trading platform management services;
  - (c) written contracts and the documents attached to them to be used for transactions with customers concerning electronic trading platform management services; and
  - (d) an appraisal report issued by a person that have no special interest relationship with the notifying person concerning the matters set forth in Article 8, item (vi), sub-item (g);
- (vi) if there is any change to the matters set forth in Article 7, item (iv), sub-item (d) (limited to cases in which the financial instruments business operator has come to conduct business related to investment in racehorses): a document evidencing that the business operator does not fall under the criteria set forth in Article 13, item (iii);
- (vii) if there is any change to the matters set forth in Article 7, item (vi) (limited to cases in which the financial instruments business operator has come to conduct business of purchase and sale, etc. of beneficial interest in

- real property trust): a document evidencing that the business operator does not fall under the criteria set forth in Article 13, item (iv);
- (viii) if there is any change to the matters set forth in Article 7, item (vii) (limited to cases in which the financial instruments business operator has come to conduct specified investment management business related to real property): a document stating the matters related to the ability to perform business in cases of conducting specified investment management business related to real property;
- (ix) if there is any change to the matters specified in Article 7, item (x), the following documents concerning the person that newly assumed the position of the agent in Japan:
- (a) an extract of the resident record (if the agent in Japan is a corporation, a certificate of registered information of the agent in Japan), or alternative documents; and
- (b) if the former surname and given name are stated together with the current name in a document stating the changed content which is prepared using the Appended Form 1 and the document specified in sub-item (a) is not a document certifying the former surname and given name, a document certifying the former surname and given name.
- (2) If the Commissioner of the Financial Services Agency or the competent Director-General of a Local Finance Bureau has received from a financial instruments business operator a notification on the relocation of the head office, etc. filed beyond the jurisdictional area of the competent Director-General of a Local Finance Bureau, etc., the Commissioner or Director-General is to send or have the business operator send the written notification and the part of the register of financial instruments business operators related to the financial instruments business operator and other documents to the Director-General of a Local Finance Bureau with jurisdiction over the locality of the relocated head office, etc. (if the locality falls within the jurisdictional area of the Fukuoka Local Finance Branch Bureau, to its Director-General; if the financial instruments business operator does not have a business office or an office in Japan, to the Director-General of the Kanto Finance Bureau).
- (3) The Director-General of a Local Finance Bureau or the Director-General of the Fukuoka Local Finance Branch Bureau who has received the documents sent under the provisions of the preceding paragraph is to register the matters related to the financial instruments business operator in the registry of financial instruments business operators.

(Specified Business Outline)

Article 20-2 The business outline or business method specified by Cabinet Office Order as prescribed in Article 31, paragraph (3) of the Act is what newly

becomes cryptoasset or financial index referred to in Article 8, item (xii).

(Notification on Change of Business Content or Method)

Article 21 A financial instruments business operator that files a notification pursuant to the provisions of Article 31, paragraph (3) of the Act must submit to the Commissioner of the Financial Services Agency or the competent Director-General of a Local Finance Bureau a written notification stating the content of the change, the scheduled date or the actual date of change, and the reasons for the change by attaching a document stating the matters set forth in the items of Article 8 (limited to matters whose content has been changed), the documents set forth in Article 9, item (ix), sub-item (c) and item (x) (limited to matters whose content has been changed) and the documents provided for in Article 20, paragraph (1), item (v) (limited to matters whose content has been changed).

(Application for Registration of Changes)

- Article 22 (1) A financial instruments business operator that seeks to obtain the registration of a change referred to in Article 31, paragraph (4) of the Act must submit to the Commissioner of the Financial Services Agency or the competent Director-General of a Local Finance Bureaus a written application for registration of change prepared by using the Appended Form No. 1, by attaching a copy of the written application for registration of charge.
- (2) A document stating the content of and reason for the change and the following documents (limited to the documents related to the business to be newly conducted (including electronic public offering services and high-speed trading)) must be attached to a written application for a registration of change set forth in the preceding paragraph:
- (i) a document with which the financial instruments business operator pledges that they do not fall under any of the items of Article 29-4, paragraph (1) of the Act (excluding items (i) through (iii), item (iv), sub-item (d), item (v), sub-item (c) and item (vii) (limited to the part related to Article 66-53, item (vi), sub-item (c) of the Act);
  - (ii) a document stating the matters specified in the items of Article 8; and
  - (iii) a document set forth in the items of Article 9 and the items of Article 10, paragraph (1).
- (3) The provisions of Article 10, paragraph (2) apply mutatis mutandis if any of the documents specified in item (iii) of the preceding paragraph (limited to those specified in paragraph (1), item (i) of that Article) is to be attached.

(Application for Authorization of Change)

Article 23 (1) A financial instruments business operator that seeks to obtain the

authorization under Article 31, paragraph (6) of the Act must submit a written application for authorization stating the following matters to the Commissioner of the Financial Services Agency or the competent Director-General of a Local Finance Bureau:

- (i) the trade name;
  - (ii) the registration date and registration number; and
  - (iii) the content of and reasons for change.
- (2) The document stating the matters set forth in the items of Article 17 (limited to matters whose content has been changed) and the documents set forth in the items of Article 18 (limited to matters whose content has been changed) must be attached to a written application for authorization referred to in the preceding paragraph.

(Criteria for Authorization of Change)

Article 24 When the Commissioner of the Financial Services Agency or the competent Director-General of a Local Finance Bureau intends to grant the authorization referred to in Article 31, paragraph (6) of the Act, the Commissioner or the Director-General must examine whether the applicant complies with the criteria set forth in Article 30-4, item (i) or (v) of the Act.

(Notification for Making Business Security Deposit)

- Article 25 (1) A person that has made a deposit pursuant to the provisions of Article 31-2, paragraph (1), paragraph (4), or paragraph (8) of the Act must submit to the Commissioner of the Financial Services Agency or the competent Director-General of a Local Finance Bureaus, a written notification of deposit prepared using the Appended Form No. 2 by attaching an authenticated copy of the certificate of deposit relevant to the deposit.
- (2) If a financial instruments business operator (limited to an individual that conducts type-II financial instruments business or a person that only conducts investment advisory and agency business; the same applies in Article 27 and Article 28) intends to replace the items already deposited, the financial instruments business operator must, after newly making the deposit for the replacement, submit a written notification stating that fact by attaching an authenticated copy of the certificate of deposit for the deposit after the replacement to the Commissioner of the Financial Services Agency or the competent Director-General of a Local Finance Bureaus.
- (3) When the Commissioner of the Financial Services Agency or the competent Director-General of a Local Finance Bureaus receive the authenticated copy of the deposit certificate referred to in the preceding two paragraphs, the Commissioner or the competent Director-General must deliver a custody certificate to the depositor.

(Counterparties to Contracts That Replace a Business Security Deposit)

Article 26 The financial institutions specified by Cabinet Office Order as prescribed in Article 15-13 of the Order are a cooperative financial institution and the Shoko Chukin Bank Limited.

(Notification of Conclusion of Contracts That Replace a Business Security Deposit)

Article 27 (1) When a financial instruments business operator concludes a contract referred to in Article 31-2, paragraph (3) of the Act, they must submit a written notification of the conclusion of a guarantee contract prepared by using the Appended Form No. 3 by attaching a copy of the contract, and present the original written contract to the Commissioner of the Financial Services Agency or the competent Director-General of a Local Finance Bureau.

(2) When a financial instruments business operator seeks to make a change or cancel a contract that replaces a business security deposit, they must file an application for approval with the Commissioner of the Financial Services Agency or the competent Director-General of a Local Finance Bureau by submitting a written application for approval of change to the guarantee contract prepared by using the Appended Form No. 4 or a written application for approval of cancellation of the guarantee contract prepared by using the Appended Form No. 5.

(3) When an application for approval under the provisions of the preceding paragraph has been filed, the Commissioner of the Financial Services Agency or the competent Director-General of a Local Finance Bureau is to examine whether or not the financial instruments business operator that has filed the application for approval to change or cancel the contract that replaces a business security deposit is likely to result in insufficient protection of investors.

(4) When a financial instruments business operator changes or cancels the contract that replaces a business security deposit based on the approval granted by the Commissioner of the Financial Services Agency or the competent Director-General of a Local Finance Bureau, they must submit to the Commissioner of the Financial Services Agency or the competent Director-General of a Local Finance Bureau a written notification of change to a guarantee contract prepared by using the Appended Form No. 6 by attaching a copy of the changed contract, or a written notification of the cancellation of a guarantee contract prepared by using the Appended Form No. 7 by attaching a document evidencing the fact that the contract was cancelled, and in the case of changing the contract, the financial instruments business operator must present the original written contract after the change was made.



(Initial Calculation Date of the Period for Making Additional Deposit of Business Security Deposit)

Article 28 The day specified by Cabinet Office Order as prescribed in Article 31-2, paragraph (8) of the Act is the day specified in the following items in accordance with the category of cases set forth in each of those items concerning the reasons for the deficiency in the amount of business security deposit:

- (i) if the amount of business security deposit deposited which is prescribed in Article 31-2, paragraph (10) of the Act (including the contract amount prescribed in paragraph (3) of that Article) has become less than the amount prescribed in Article 15-12 of the Order because the financial instruments business operator has changed the content of the contract referred to in Article 31-2, paragraph (3) of the Act (hereinafter referred to as "the contract" in this item and the following item) by obtaining the approval referred to in Article 15-13, item (iii) of the Order (hereinafter referred to as "the approval" in the following item): the day when the content of the contract was changed;
- (ii) if the financial instruments business operator has cancelled the contract with the approval: the day of the cancellation of the contract;
- (iii) if the procedures for enforcement of the rights referred to in Article 15-14 of the Order are implemented: the day when the financial instruments business operator has received a copy of the payment entrustment document referred to in Article 11, paragraph (3) of the Regulation on Business Security Deposits by Financial Instruments Business Operators (Cabinet Office and Ministry of Justice Order No. 3 of 2007);
- (iv) if, for the purpose of implementing procedures for the enforcement of the rights referred to in Article 15-14 of the Order, the Commissioner of the Financial Services Agency or the competent Director-General of a Local Finance Bureau has converted the deposited securities (including the book-entry transfer bonds prescribed in Article 278, paragraph (1) of the Act on Book-Entry Transfer of Corporate Bonds and Shares (Act No. 75 of 2001)), and has deposited the amount remaining after deducting the expenses from the conversion proceeds: the day on which the financial instruments business operator has received a notice under the provisions of Article 12, paragraph (4) of the Regulation on Security Deposits by Financial Instruments Business Operators; or
- (v) if a financial instruments business operator (limited to an individual that conducts only an investment advisory and agency business and an individual that conducts only type-II small amount electronic public offering service among the type-II financial instruments business) has obtained a

registration of change referred to in Article 31, paragraph (4) of the Act as a person conducting type-II financial instruments business: the day when the business operator obtained the registration of change.

(Types of Securities That May Be Used for Business Security Deposits)

Article 29 The securities specified by Cabinet Office Order as prescribed in Article 31-2, paragraph (9) of the Act are as follows. In such a case, if the attribution of the right required to be indicated on any of the following securities is to be determined based on the entry or record in a book-entry transfer account book under the provisions of the Act on Book-Entry Transfer of Corporate Bonds and Shares, the right is deemed to be those securities:

- (i) national government bond certificates;
- (ii) local government bond certificates;
- (iii) government guaranteed bond certificates (meaning the securities set forth in Article 2, paragraph (1), item (iii) of the Act, which the government guarantees redemption of principal and interest payments; the same applies in Article 65, item (i), sub-item (c));
- (iv) corporate bond certificates or other bond certificates designated by the Commissioner of the Financial Services Agency (excluding those in registered form and those issued on a discount basis, and also those set forth in the preceding item).

(Value of Securities That May Be Used for Business Security Deposits)

Article 30 (1) The value of the securities when securities are used for a business security deposit pursuant to the provisions of Article 31-2, paragraph (9) of the Act is the amount specified in the following items in accordance with the category of the securities set forth in each of those items:

- (i) the securities set forth in item (i) of the preceding Article: the face value (if the attribution of the right related to those securities is to be determined based on the entry or record in the book-entry transfer account book under the provisions of the Act on Book-Entry Transfer of Corporate Bonds and Shares, the amount stated or recorded in the book-entry transfer account book; hereinafter the same applies in this Article);
- (ii) the securities set forth in item (ii) of the preceding Article: the amount calculated by discounting the face value of 100 yen to 90 yen;
- (iii) the securities set forth in item (iii) of the preceding Article: the amount calculated by discounting the face value of 100 yen to 95 yen;
- (iv) the securities set forth in item (iv) of the preceding Article: the amount calculated by discounting the face value of 100 yen to 80 yen.

(2) With regard to the securities issued on a discount basis, the provisions of the preceding paragraph is applied by deeming the amount arrived at by adding

the amount calculated by using the following formula to the issue value as the face value:

$$((\text{Face value} - \text{Issue value}) / \text{Number of years from the date of issuance to the date of redemption}) \times \text{Number of years from the date of issuance to the date of deposit}$$

- (3) For the calculation using the formula referred to in the preceding paragraph, a fraction of less than one year that arises for the number of years from the date of issuance to the date of redemption and the number of years from the date of issuance to the date of deposit, and a fraction of less than one yen that arises for the amount arrived at by dividing the difference between the face value and the issue value by the number of years from the date of issuance to the date of redemption are rounded down.

#### (Notification of Concurrent Holding of Positions)

Article 31 (1) A notification under the provisions of Article 31-4, paragraphs (1) and (2) of the Act (excluding the notification filed in the case of resignation that is prescribed in those provisions) must be filed by submitting a written notification stating the following matters to the Commissioner of the Financial Services Agency or the competent Director-General of a Local Finance Bureau:

- (i) the person's name;
- (ii) the trade name of the financial instruments business operator;
- (iii) the title of the financial instruments business operator;
- (iv) the trade name of the other company in which the person concurrently holds the position of officer;
- (v) the title of the position at the company in which the person concurrently holds the position and the fact as to whether or not the person has the representative authority; and
- (vi) the date of assumption of office and the term of office.

(2) In the case referred to in the preceding paragraph, if there is any change to the matters set forth in item (iv) or (v) of that paragraph, a written notification of the change of the position which is concurrently held stating the following matters must be submitted to the Commissioner of the Financial Services Agency or the competent Director-General of a Local Finance Bureau:

- (i) the person's name;
- (ii) the trade name of the financial instruments business operator;
- (iii) the title of the financial instruments business operator;
- (iv) the content of the change; and
- (v) the date of the change.

(3) A notification under the provisions of Article 31-4, paragraphs (1) and (2) of the Act (limited to the notification filed in the case of a resignation that is prescribed in those provisions) must be filed by submitting a written

notification stating the following matters to the Commissioner of the Financial Services Agency or the competent Director-General of a Local Finance Bureau:

- (i) the person's name;
- (ii) the trade name of the financial instruments business operator;
- (iii) the title of the financial instruments business operator;
- (iv) the trade name of the other company in which the person concurrently holds the position of officer;
- (v) the title of the position at the company in which the person concurrently holds the position and the fact as to whether or not the person has the representative authority; and
- (vi) the date of resignation.

(Persons Excluded from Being Parent Corporations or Subsidiary Corporations)

Article 32 The person specified by Cabinet Office Order as prescribed in Article 15-16, paragraphs (1) and (2) of the Order is as follows:

- (i) a person exclusively engaged in the business for conducting financial instruments business, etc., financial instruments intermediary service, or securities, etc. intermediary business operations of any of the following persons:
  - (a) the person themselves; or
  - (b) the person themselves and their parent corporation, etc. or subsidiary corporation, etc.;
- (ii) a person who is exclusively engaged in the business (excluding business related to non-disclosure information (limited to information concerning customers of financial instruments business, etc., financial instruments intermediary service, or securities, etc. intermediary business operations conducted by the issuer or the person themselves)) for conducting business of any of the following persons (excluding financial instruments business, etc., financial instruments intermediary service, and securities, etc. intermediary business operations):
  - (a) the person themselves; or
  - (b) the person themselves and their parent corporation, etc. or subsidiary corporation, etc.;
- (iii) a corporation or any other organization of a foreign country that does not have a business office, office or facilities equivalent to them in Japan.

(Persons Classified as Parent Companies)

Article 33 (1) The companies specified by Cabinet Office Order as prescribed in Article 15-16, paragraph (3) of the Order are the following companies, etc. (meaning the companies, etc. prescribed in that paragraph; hereinafter the same applies in this Article through Article 35); provided, however, that this

does not apply if it is clearly found that the company does not have control over the decision-making body of the other company, etc. (meaning the decision-making body specified in Article 15-16, paragraph (3) of the Order; the same applies in item (ii), (e)) in terms of their financial, operational, or business relationship:

- (i) a company, etc. which holds the majority of voting rights in the other company, etc. on its own account (excluding other companies, etc. that have become subject to an order for commencement of bankruptcy proceedings, an order for commencement of rehabilitation proceedings, or an order for commencement of reorganization proceedings and other companies, etc. equivalent to them, which are found to have no effective parent-subsidiary relationship; hereinafter the same applies in this paragraph);
- (ii) a company, etc. which holds 40 percent or more and 50 percent or less of the voting rights in the other company, etc. on its own account, and falls under any of the following requirements:
  - (a) the voting rights held by the company, etc. on its own account, by the person found likely to exercise voting rights in concert with the intention of the company, etc. due to a close relationship with the company, etc. in terms of contribution, personnel affairs, funds, technology, transactions, etc., and by the person that has consented to exercise the voting rights in concert with the intention of the company, etc., together account for the majority of the voting rights in that other company, etc.;
  - (b) the officers or employees or former officers or employees of the company, etc. for whom the company, etc. is able to influence the decision of the other company, etc. concerning its financial policies and operational or business policies, constitute the majority of the members of the board of directors or other equivalent organs of that other company, etc.;
  - (c) there is a contract, etc. concluded between the company, etc. and the other company, etc. which controls the decision on important financial, operational, or business policies of that other company, etc.;
  - (d) the company, etc. is providing the amount of the procured funds (including guarantee of obligations and provision of security; the same applies in sub-item (d) and Article 34, item (ii), (b)) which amounts to more than half of the total amount of funds procured by the other company, etc. (limited to the amount recorded in the liability section of the balance sheet) (including the cases in which the amount financed by the company, etc., and the amount financed by a person with a close relationship with the company, etc. in terms of contribution, personnel affairs, funds, technology, transactions, etc. together amount to more than half of the total amount of the funds procured); or
  - (e) there is a fact to presume that the company, etc. is controlling the

decision-making body of that other company, etc.;

(iii) the company, etc. if the voting rights held by a company, etc. on its own account, by the person found likely to exercise voting rights in concert with the intention of the company, etc. due to a close relationship with the company, etc. in terms of contribution, personnel affairs, funds, technology, transactions, etc., and by the person that has consented to exercise the voting rights in concert with the intention of the company, etc. together account for the majority of the voting rights in the other company, etc. (including when the company, etc. does not hold voting rights on its own account), which falls under any of the requirements set forth in sub-items (b) through (e) of the preceding item,.

(2) Notwithstanding the provisions of the preceding paragraph, with regard to a special purpose company (meaning a specific purpose company as defined in Article 2, paragraph (3) of the Act on Securitization of Assets (Act No. 105 of 1998) and an entity engaged in business similar to that of the specific purpose company, for which change in business content is restricted; the same applies hereinafter), if the purpose of the incorporation of that specific purpose company is to have the owners of the securities issued by the company (including the creditors of the specific borrowings as defined in paragraph (12) of that Article) receive the profit generating from assets that the company has acquired at a fair value, and the business of the company is properly implemented in compliance with that purpose, the special purpose company is found to be independent from the company, etc. that transferred the assets to the company (hereinafter referred to as the "transferor company, etc." in this paragraph), and is presumed not to fall under a subsidiary company, etc. of the transferor company, etc.

(Persons Classified as Affiliated Companies)

Article 34 The affiliated companies, etc. specified by Cabinet Office Order as prescribed in Article 15-16, paragraph (4) of the Order are as follows; provided, however, that this does not apply if it is clearly found that a company, etc. (including a subsidiary company, etc. of that company, etc.) is unable to have a material impact in deciding the financial policies and operational or business policies of other companies etc. other than subsidiary companies, etc., in terms of their financial, operational or business relationship:

(i) the other companies, etc. other than a subsidiary company, etc., if a company, etc. (including a subsidiary company, etc. of that company, etc.) holds 20 percent or more of the voting rights in that other company, etc. other than a subsidiary company, etc. on its own account (excluding other companies, etc. other than subsidiary companies, etc. which have become subject to an order for commencement of bankruptcy proceedings, order for

- commencement of rehabilitation proceedings, or order for commencement of reorganization proceedings, or other companies, etc. other than subsidiary companies, etc. equivalent to them, which are found that they are not able to have a material impact on deciding their financial policies and operational or business policies; hereinafter the same applies in this Article);
- (ii) the other companies, etc. other than a subsidiary company, etc. if a company, etc. (including a subsidiary company, etc. of that company, etc.) holds 15 percent or more and less than 20 percent of the voting rights in the other companies, etc. other than a subsidiary company, etc. on their own account, which falls under any of the following requirements,:
    - (a) an officer or employee of the company, etc. or a former officer or employee, for whom the company, etc. is able to give an impact on decision of the other company's financial policies and operational or business policies, has assumed the position of the other company's director, executive officer, or an equivalent person;
    - (b) an important loan has been granted by the company, etc.;
    - (c) an important technology has been provided by the company, etc.;
    - (d) there is an important transaction on sales, procurement, or other operational or business transactions with the company, etc.; or
    - (e) there is a facts to presume that the company, etc. is able to have a material impact on the decision on the other company's financial, operational or business policies;
  - (iii) the other companies, etc. other than a subsidiary company, etc. if the voting rights held by a company, etc. (including a subsidiary company, etc. of that company, etc.) on its own account, by the person found likely to exercise voting rights in concert with the intention of the company, etc. due to a close relationship with the company, etc. in terms of contribution, personnel affairs, funds, technology, transactions, etc., and by a person that has consented to exercise voting rights in concert with the intention of the company, etc. (including if the company, etc. does not hold voting rights on its own account) together account for 20 percent or more of the voting rights in the other companies, etc. other than a subsidiary company, etc., which falls under any of the requirements set forth in sub-items (a) through (e) of the preceding item.

(Criteria for Determining Holding of Voting Rights)

Article 35 (1) For the purpose of determining the holding voting rights provided for in Article 15-16, paragraph (5) of the Order, the voting rights held are to include the voting rights held under the name of another person (or under a pseudonym; the same applies in Article 203, paragraph (1)), and the voting rights related to shares or contribution in any of the following cases

(hereinafter referred to as "shares, etc." in this Article):

- (i) if a person has the authority to exercise the voting rights in the company, etc. or the authority to give instructions on the exercise of the voting rights, pursuant to the provisions of a trust agreement for money or other agreements, or laws;
  - (ii) if a person in special relationship provided for in Article 15-10 of the Order holds the voting rights in a company, etc.;
  - (iii) if, pursuant to the provisions of Article 147, paragraph (1) or Article 148, paragraph (1) of the Act on Book-Entry Transfer of Corporate Bonds and Shares (including as applied mutatis mutandis pursuant to Article 228, paragraph (1), Article 235, paragraph (1), Article 239, paragraph (1) and Article 276 (limited to the part related to item (ii)) of that Act), a person may not assert the shares, etc. held by them against an issuer (including the shares, etc. related to the voting rights which are to be included in the voting rights held by the specified individual shareholder referred to in Article 15-16, paragraph (1), item (iv) of the Order pursuant to the provisions of this paragraph).
- (2) Notwithstanding the provisions of the preceding paragraph, the voting rights related to the following shares, etc. are to be excluded from the voting rights held that are referred to in the preceding paragraph:
- (i) if a person having the authority to represent a corporation or a manager having the authority to act as an agent for a corporation has the authority to exercise voting rights or to give instructions on the exercise of voting rights, or the authority required for making an investment, based on the authority to represent or the authority to act as an agent, the shares, etc. owned by the corporation;
  - (ii) the shares, etc. owned by heirs as their inherited property (limited to the shares, etc. owned before the day when the heir (excluding the case of a joint inheritance) gave an unqualified acceptance (including if an unqualified acceptance is deemed to have been given) or a qualified acceptance, or the shares, etc. which the coheirs of the inherited property have not finished dividing).

### **Subsection 3 Major Shareholders**

(Submission of Statement of Holdings in Subject Voting Rights)

Article 36 A person that submits a statement of holdings in subject voting rights referred to in Article 32, paragraph (1) of the Act pursuant to the provisions of that paragraph must submit a statement of holdings in subject voting rights prepared by using the Appended Form No. 8 by attaching a copy of the statement and the documents required to be attached to the statement



pursuant to the provisions of paragraph (2) of that Article to the Director-General of a Local Finance Bureau with jurisdiction over the locality of the head office, etc. (in the case of an individual, their domicile or residence) (if the locality falls within the jurisdictional area of the Fukuoka Local Finance Branch Bureau, to its Director-General) in the case of a resident (meaning the resident provided for in the first sentence of Article 6, paragraph (1), item (v) of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949); hereinafter the same applies in this Chapter), or to the Director-General of the Kanto Finance Bureau in the case of a non-resident (meaning a non-resident provided for in Article 6, paragraph (1), item (vi) of that Act; hereinafter the same applies in this Chapter).

(Matters to Be Stated in Statement of Holdings in Subject Voting Rights)

Article 37 (1) The matters specified by Cabinet Office Order as prescribed in Article 32, paragraph (1) of the Act are as follows:

- (i) the trade name or name;
- (ii) the location of the head office or principal office (in the case of an individual, the domicile or residence);
- (iii) in the case of a corporation, the name of its representative; and
- (iv) the number of voting rights held.

(2) The number of voting rights held by all the shareholders, etc. referred to in Article 32, paragraph (1) of the Act is the number of voting rights held by all the shareholders, etc. (meaning the voting rights held by all the shareholders, etc. provided for in Article 29-4, paragraph (2) of the Act; the same applies hereinafter) on the day when the person has come to hold the subject voting rights (meaning the subject voting rights provided for in Article 29-4, paragraph (2) of the Act); provided, however, that if it is difficult to find out the number of voting rights held by all the shareholders, etc., the number may be the number of voting rights held by all the shareholders, etc. stated in the latest annual securities report, etc. (meaning the annual securities report provided for in Article 24, paragraph (1) of the Act, the quarterly securities report provided for in Article 24-4-7, paragraph (1) of the Act, or the semiannual securities report provided for in Article 24-5, paragraph (1) of the Act; hereinafter the same applies in this paragraph) (if the annual securities report, etc. has not been submitted, the number of the voting rights held by all the shareholders, etc. calculated based on the content stated in the commercial register or other documents).

(Documents to Be Attached to Statement of Holdings in Subject Voting Rights)

Article 38 The documents specified by Cabinet Office Order as prescribed in Article 32, paragraph (2) of the Act are as follows:

- (i) in the case of an individual, an extract of the resident record (limited to that stating the registered domicile), or alternative documents;
- (ii) if the former surname and given name are stated together with the current name in a statement of holdings in subject voting rights referred to in Article 32, paragraph (1) of the Act and the document set forth in the preceding item is not a document certifying the former surname and given name, a document certifying the former surname and given name; and
- (iii) in the case of a corporation, its certificate of registered matters, or alternative documents.

(Notification that a Person Has Become a Specified Major Shareholder)

Article 38-2 A major shareholder other than a specified major shareholder of a financial instruments business operator that files a notification pursuant to the provisions of Article 32, paragraph (3) of the Act (meaning the specified major shareholder as defined in paragraph (4) of that Article; hereinafter the same applies in this Article and Article 38-5) must submit a notification stating the fact that the major shareholder has become a specified major shareholder, which is prepared using the Appended Form No. 8-2, by attaching a copy of that notification, to the Director-General of a Local Finance Bureau with jurisdiction over the locality of the major shareholder's head office, etc. (in cases of an individual, the address or residence) in the case of a resident (if the locality is within the jurisdictional area of the Fukuoka Local Finance Branch Bureau, to its Director-General), and in the case of a non-resident to the Director-General of the Kanto Finance Bureau.

(Persons Classified as Parent Companies)

Article 38-3 The companies specified by Cabinet Office Order as prescribed in Article 15-16-2, paragraph (2) of the Order are the following persons (excluding those related to companies that do not have an impact on the content of the documents on financial calculation):

- (i) a parent company defined in Article 8, paragraph (3) of the Regulation on Terminology, Forms, and Preparation Methods of Financial Statements (Order of the Ministry of Finance No. 59 of 1963; hereinafter referred to as the "Regulation on Financial Statements"); and
- (ii) a company that is treated in the same manner as that set forth in the preceding item in preparing documents on financial calculation under the designated international accounting standards (meaning the designated international accounting standards prescribed in Article 93 of the Regulation on Terminology, Forms, and Preparation Methods of Financial Statements (Order of the Ministry of Finance No. 28 of 1976; the same applies hereinafter)) and other fair and appropriate standards or practices of

corporate accounting standards in a foreign country.

(Persons Classified as Affiliated Companies)

Article 38-4 The affiliated companies, etc. specified by Cabinet Office Order as prescribed in Article 15-16-2, paragraph (3) of the Order are the following companies (excluding those that have no impact on the content of documents related to financial accounting):

- (i) affiliated companies provided for in Article 8, paragraph (5) of the Regulation on Financial Statements; and
- (ii) a company that is treated in the same manner as that set forth in the preceding item in preparing documents on financial calculation under the designated international accounting standards and other fair and appropriate standards or practices of corporate accounting standards in foreign countries.

(Notification of Becoming a Major Shareholder Other Than a Specified Major Shareholder)

Article 38-5 A specified major shareholder of a financial instruments business operator that files a notification pursuant to the provisions of Article 32-3, paragraph (2) of the Act must submit a notification of the fact that they have become a major shareholder other than a specified major shareholder, which is prepared using the Appended Form No. 8-3, by attaching a copy of that notification, to the Director-General of a Local Finance Bureau with jurisdiction over the locality of the major shareholder's head office, etc. (in cases of an individual, the address or residence) in the case of a resident (if the locality is within the jurisdictional area of the Fukuoka Local Finance Branch Bureau, to its Director-General), or in the case of a non-resident, to the Director-General of the Kanto Finance Bureau.

(Application, Mutatis Mutandis)

Article 39 The provisions of Articles 36 through 38 apply mutatis mutandis to the case in which the provisions of Article 32, paragraphs (1) and (2) of the Act are applied mutatis mutandis pursuant to Article 32-4 of the Act.

#### **Subsection 4 Registered Financial Institutions**

(Securities Equivalent to Specified Corporate Bond Certificates)

Article 40 The securities specified by Cabinet Office Order as prescribed in Article 15-17, paragraph (1), item (ii) of the Order are those which satisfy all of the following requirements:

- (i) there are assets to be transferred directly or indirectly from the owner to a

corporation incorporated or managed for the purpose of the issuing the securities (the assets are referred to as "acquired assets" in the following item); and

- (ii) the corporation provided for in the preceding item issues its securities, and appropriates the money obtained by the management, investment, or disposition of the acquired assets for the performance of the obligations arising from the securities (including those issued for the purpose of the refinancing the securities).

(Securities Equivalent to Short-Term Corporate Bonds)

Article 41 The securities specified by Cabinet Office Order as prescribed in Article 15-17, paragraph (3) of the Order are as follows:

- (i) book-entry transfer foreign-issued bonds (meaning a book-entry transfer foreign-issued bond prescribed in Article 66 (excluding item (i)) of the Act on Book-Entry Transfer of Corporate Bonds and Shares as applied mutatis mutandis pursuant to Article 127 of that Act; hereinafter the same applies in this item) which satisfy all of the following requirements:
  - (a) the book-entry foreign-issued bonds are to be issued in yen;
  - (b) the amount of each book-entry transfer foreign-issued bond is not less than 100 million yen;
  - (c) there are provisions on the fixed due date for the redemption of principal to be within one year from the day the total amount of the book-entry transfer foreign-issued bonds has been paid, and there are no provisions for installment payment of the redemption of principal; and
  - (d) there are provisions stating that the due date for the interest payment is to be the same date as the due date for the redemption of principal referred to in sub-item (c);
- (ii) the securities that satisfy all of the requirements set forth in the items of the preceding Article (limited to those set forth in the preceding item).

(Securities Equivalent to Share Certificates)

Article 42 The securities specified by Cabinet Office Order as prescribed in Article 15-18, item (i) of the Order are corporate bond certificate with special provisions stating that redemption may be made through share certificates (including preferred equity securities (meaning the preferred equity securities provided for in the Act on Preferred Equity Investment by Cooperative Financial Institutions; the same applies hereinafter)), share option certificates, or corporate bond certificates with share options (limited to the corporate bond certificates with special provisions stating that redemption may be made through securities issued by a company other than the issuer company of those corporate bond certificates).

(Application for Registration)

Article 43 A person that seeks to obtain the registration referred to in Article 33-2 of the Act must submit to the Director-General of a Local Finance Bureau with jurisdiction over the locality of the person's head office, etc. (if the locality falls within the jurisdictional area of the Fukuoka Local Finance Branch Bureau, to its Director-General) a written application for registration referred to in Article 33-3, paragraph (1) of the Act prepared by using the Appended Form No. 9 by attaching a copy of the written application and the documents or electronic or magnetic record required to be attached pursuant to the provisions of paragraph (2) or (3) of that Article.

(Matters to Be Stated in Written Applications for Registration)

Article 44 The matters specified by Cabinet Office Order as prescribed in Article 33-3, paragraph (1), item (ix) of the Act are as follows:

- (i) if an employee of the applicant for registration falls under any of the following persons, the name of that employee:
  - (a) a person that supervises the work related to instructions for having employees comply with laws and regulations in regard to the registered financial institution business, and a person that is in a position in which the person may be delegated the authority of the person that supervises the business, such as the head of department, the deputy head of department, the section head, or other persons irrespective of the title;
  - (b) a person that supervises the department in charge of giving advise and making investment (including its instructions; the same applies hereinafter) and a person that makes an investment decision based on the analysis of the value of financial instruments and other factors, in connection with the investment advisory business or investment management business;
- (ii) the trade name or name of the designated dispute resolution organization which is the counterparty to a basic contract for implementation of dispute procedures concluded for the purpose of taking the measures to conclude the contract for implementation of dispute procedures related to the business provided for in Article 37-7, paragraph (1), item (v), sub-item (a) of the Act, and the name of the financial instruments firms association with which the applicant for registration becomes a member and the name of the certified investor protection organization with which the applicant for registration becomes a target business operator;
- (iii) the name or trade name of the financial instruments exchange with which the applicant for registration becomes a member, etc.;
- (iv) if the applicant for registration conduct the acts set forth in Article 33-2,

- item (i) or (ii) of the Act on a regular basis, the following matters:
  - (a) that fact;
  - (b) if the applicant for registration conducts the acts set forth in Article 33, paragraph (2), item (v) of the Act for the transaction set forth in that item, that fact;
- (iv)-2 in the cases of conducting electronic trading platform management services, that fact;
- (v) in the cases of conducting commodity-related businesses, that fact;
- (vi) if the applicant for registration conducts financial instruments intermediary services, the trade name of the entrusting financial instruments business operator (meaning the financial instruments business operator that conducts type-I financial instruments business who is entrusted with financial instruments intermediary services; hereinafter the same applies except in Article 275, paragraph (1), item (xxvii));
- (vii) if the applicant for registration conducts business related to commodities investment, the following matters:
  - (a) that fact;
  - (b) if the business related to commodities investment conducted by the applicant for registration only concerns the goods specified in Article 37, paragraph (1), item (ii), (b) of the Order or the agriculture, forestry and fisheries goods, etc., that fact;
  - (c) if the business related to commodities investment conducted by the applicant for registration only concerns the goods specified in Article 37, paragraph (1), item (ii), (c) through (e) of the Order or the economy, trade and industry goods, etc., to that effect; and
  - (d) if the applicant for registration is to conduct a business related to investment in racehorses, that fact;
- (viii) if the applicant for registration is to conduct the acts listed in the items of Article 194-6, paragraph (2) of the Act on a regular basis, that fact;
- (ix) if the applicant for registration is to conduct the business of purchase and sale, etc. of beneficial interest in real property trust, that fact;
- (x) if the applicant for registration is to conduct specified investment management business related to real property, that fact;
- (xi) if the applicant for registration is to conduct the acts set forth in Article 33-2, item (i), (ii) or (iv) of the Act with regard to electronically recorded transferable rights to be indicated on securities, etc., or the acts set forth in Article 33-2, item (i) or (ii) of the Act with regard to the derivatives transactions prescribed in Article 29-2, paragraph (1), item (viii) of the Act on a regular basis, or if the applicant for registration is to conduct investment management business related to electronically recorded transferable rights to be indicated on securities, etc., or the derivative

- transactions, that fact;
- (xii) if the applicant for registration is to conduct the acts set forth in Article 33-2, item (iii) of the Act with regard to the derivatives transactions prescribed in Article 29-2, paragraph (1), item (ix) of the Act on a regular basis, or if the application for registration is to conduct investment management business related to the derivative transactions, that fact; and
- (xiii) the name and location of the head office, etc.

(Content and Method of Business)

Article 45 The content and method of a business specified by Cabinet Office Order as prescribed in Article 33-3, paragraph (2), item (ii) of the Act are as follows:

- (i) the basic principles of business operation;
- (ii) the method of execution of business;
- (iii) the method of division of duties;
- (iv) type of acts that constitute financial instruments transactions intenconducted on a regular basis;
- (v) the system for handling complaints (including the contents of the complaint processing measures and dispute resolution measures concerning the business specified in Article 37-7, paragraph (1), item (v), (b) of the Act);
- (vi) if the applicant for registration is to conduct the acts set forth in the items of Article 33-2 of the Act on a regular basis, the following matters:
  - (a) the types of the securities to be handled, and the type of the derivative transactions to be conducted on a regular basis (if the securities in question or the derivatives transactions in question are electronically recorded transferable rights to be indicated on securities, etc. or the derivatives transactions provided for in Article 29-2, paragraph (1), item (viii) of the Act, including that fact, and if commodity-related business is to be conducted, including the commodities that are subject of transactions or financial indexes related to the commodities);
  - (b) if the applicant for registration handles the rights set forth in Article 2, paragraph (2), item (i) or (ii) of the Act, the type of the trust property related to the rights;
  - (c) if the applicant handles the rights set forth in Article 2, paragraph (2), item (v) or (vi) of the Act, the outline of the business subject to investment related to the rights;
  - (d) the means of managing the risk of loss;
  - (e) if the applicant for registration conducts business related to the wholesale underwriting of securities for the securities set forth in Article 33, paragraph (2), item (i) of the Act, the following matters:
    - 1. the name and title of the person responsible for managing the business;

2. the name and organizational structure of the department that conducts the business;
  3. the method of calculating the value of loss risk equivalent related to the business;
  4. the method of establishing and applying a ceiling on the value of loss risk equivalent related to the business;
  5. the name and structure of the section in charge of calculating the value of loss risk equivalent related to the business and management of ceiling of the value;
  6. the frequency of inspection of the execution of the business, the value of loss risk equivalent and the status of the application of the ceiling thereof, and the name and structure of the section in charge of such inspection; and
  7. any other material matters concerning the management of risk of loss related to the business;
- (f) if the applicant for registration conducts business related to the act set forth in Article 33, paragraph (2), item (v) of the Act in connection with the transaction provided for in that item, the following matters:
1. the name and title of the person responsible for managing the business;
  2. the name and organizational structure of the department in charge of the business;
  3. the standards for initiating a transaction with the customers related to the business;
  4. the method and frequency of calculating the value of loss risk equivalent related to the business (the information is to be stated by the risk of loss which may accrue due to fluctuations in quotations on the financial instruments exchange market, interest rate, currency value, or other indicators, the risk of loss which may accrue due to a default in the performance of contracts by counterparties to the transactions, and other reasons, and the risk or loss which may accrue due to reasons other than those reasons);
  5. the method of establishing and applying a ceiling on the value of loss risk equivalent related to the business, and the method of establishing and applying the ceiling for each type of transactions and customer attributes;
  6. the name and structure of the department in charge of calculating the value of loss risk equivalent related to the business and managing the ceiling of the value;
  7. the frequency of reporting the value of loss risk equivalent related to the business and the status of application of the ceiling of the value to directors or executive officers with the authority of representation, or



- board members (in the case of a foreign corporation, directors, executive officers or any other person equivalent to them, who is stationed at the business office or office in Japan, or the representative in Japan);
8. the method of preparing and preserving materials that serve as the basis for the calculation of the value of loss risk equivalent related to the business;
  9. the frequency of inspection and the name and structure of the department in charge of the inspection concerning execution of the business, the value of loss risk equivalent, and the status of application of the ceiling of the value; and
  10. any other material matters concerning the management of risk of loss related to the business;
- (vii) if the applicant for registration is to conduct electronic trading platform management services, the following matters:
- (a) the type and specific content of the specified over-the-counter derivatives transactions conducted for electronic trading platform management services;
  - (b) the name and title of the person responsible for managing electronic trading platform management services;
  - (c) the name and organizational structure of the department in charge of electronic trading platform management services and the department in charge of business related to the publication based on the provisions of Article 40-7, paragraph (2) of the Act (if a part of electronic trading platform management services or a part of the business related to the publication based on that paragraph is entrusted to another person, including that person);
  - (d) the standards for initiating a transaction with customers related to electronic trading platform management services, and the method of managing customers;
  - (e) matters concerning fees;
  - (f) the method of disclosing quotes for bids and offers and other price information to customers (limited to the method using an electronic data processing system or other electronic methods);
  - (g) the method for deciding the transaction price (if the amount determined by the party as the notional principal in specified over-the-counter transactions does not exceed the amount specified in the items of Article 125-8, paragraph (2) in accordance with the category of the period from the day when the specified over-the-counter derivatives transaction takes effect to the day when the transaction ceases to be effective, limited to the method that enables the customers to choose the method specified in the

- following 1., or the method specified in the following 1. or 2.) and the time when the transaction is closed;
1. the method of using the price based on the applicant's own quotes for bids and offers or the customer's quotes for bids and offers publicized pursuant to the provisions of sub-item (f);
  2. the method of using a price determined based on negotiations between customers (limited to a negotiation conducted after notifying the customer of the quotes when three or more other customers are requested to present quotes for bids or offers based on the designation by the customer, and presenting the quotes for bids or offers presented by the other customers in response to the request, the quotes for bids or offers publicized pursuant to the provisions of sub-item (f), and the quotes when the applicant themselves presents the quotes for bids or offers);
- (h) the method of the publication based on the provisions of Article 40-7, paragraph (2) of the Act;
- (i) the outline, installation location, capacity, and maintenance method of the electronic data processing system used for the electronic trading platform management service, and the method of handling in the case of malfunction of the electronic data processing system;
- (j) the method of settlement for electronic trading platform management services (including the method of having a financial instruments clearing organization (including a collaborating clearing organization, etc., if the financial instruments clearing organization conducts collaborative financial instruments obligation assumption service) or a foreign financial instruments clearing organization appropriately and promptly bear the obligations arising from the transactions specified in Article 156-62, item (i) or (ii) of the Act), and the handling method when a customer defaults on a contract;
- (k) the method of preparing and preserving transaction records for electronic trading platform management services;
- (l) the frequency of the inspection and the name and structure of the department in charge of the inspection on the status of the execution of electronic trading platform management services;
- (m) the method of preventing unfair transactions, and other matters related to ensuring fair transactions; and
- (n) any other material matters concerning the management of risk of loss related to electronic trading platform management services;
- (viii) if the applicant for registration to conduct investment advisory and agency business, the matters set forth in Article 8, item (viii), sub-items (a) through (d);

- (ix) if the applicant for registration is to conduct investment management business, the matters set forth in Article 8, item (ix), sub-items (a) through (e);
- (x) if the applicant for registration is to conduct securities, etc. management business, the method of management under the provisions of Articles 43-2 through 43-3 of the Act;
- (xi) if the applicant for registration is to conduct electronic public offering services, the matters set forth in Article 8, item (x), sub-items (a) and (d);
- (xii) the following matters concerning the measures set forth in each item of Article 70-4, paragraph (1):
  - (a) the method for implementing the measures; and
  - (b) the organization in charge of implementing the measures and its assignment of personnel;
- (xiii) if the applicant for registration is to receive or supply information in the cases prescribed in Article 123, paragraph (1), item (xviii), sub-item (e) and item (xxiv), sub-item (d), the following matters concerning work on maintenance and management of the electronic data processing system and work on internal management and operation prescribed in Article 153, paragraph (3):
  - (a) the trade name or name of the entrusting financial instruments business operator that receives or supplies the information;
  - (b) the method of conducting business; and
  - (c) the organization in charge of the business and its assignment of personnel;
- (xiv) if the applicant for registration provides information in the case referred to in Article 154, item (iv), sub-item (g), sub-item (i), and sub-item (j), the trade name or name of the parent corporation, etc. or subsidiary corporation, etc. that receives the information;
- (xv) if the applicant for registration is to conduct high-speed trading as a registered financial institution business, the matters set forth in Article 8, item (xi), sub-items (a) through (d). and
- (xvi) if the applicant for registration is to conduct the acts set forth in Article 33-2, item (iii) of the Act with regard to the derivatives transactions prescribed in Article 29-2, paragraph (1), item (ix) of the Act on a regular basis, or if the applicant for registration is to conduct investment management business related to the derivatives transactions, the name of the cryptoassets and financial indexes referred to in Article 8, item (xii)

(Documents to Be Attached to Written Application for Registration)

Article 46 The things specified by Cabinet Office Order as prescribed in Article 33-3, paragraph (2), item (iii) of the Act are the following matters stated as the

status of an affiliated company (meaning a parent corporation, etc., a subsidiary corporation, etc. or a holding company; the same applies in item (v)):

- (i) the trade name or name;
- (ii) the amount of stated capital, the total amount of funds, or the total amount of investment;
- (iii) the location of the head office or principal office;
- (iv) the type of business;
- (v) the capital relationship, personnel relationship, and business relationship in the most recent one year, between the applicant for registration and an affiliated company; and
- (vi) distinction of whether the affiliated company falls under a parent corporation, etc., a subsidiary corporation, etc. or a holding company.

Article 47 (1) The documents specified by Cabinet Office Order as prescribed in Article 33-3, paragraph (2), item (iv) of the Act are as follows:

- (i) the documents stating the personnel structure and the system for conducting business of the organization;
- (ii) the resume of the officers and important employees (meaning an employee that falls under any of Article 44, item (i), sub-item (a) or (b); the same applies in Article 51, paragraph (1), item (iv)) in charge of the registered financial institution business (if the officer is a corporation, the document stating the background of the officer);
- (iii) if the applicant for registration does not become a member of a financial instruments firms association (limited to an association that has the persons conducting the business performed by the applicant for registration as the principal association members or members), the internal rules concerning the business;
- (iv) if the applicant for registration is to conduct electronic trading platform management services, the following documents:
  - (a) the resume of the person responsible for managing electronic trading platform management services;
  - (b) the internal rules concerning electronic trading platform management services;
  - (c) contract documents to be used in conducting transactions with customers in relation to electronic trading platform management services and the documents attached to them; and
  - (d) an appraisal report issued by a person not in special interest relationship with the applicant for registration concerning the matters set forth in Article 45, item (vii), (i);
- (v) if the applicant for registration is to conduct business related to

- commodities investment for racehorses, a document certifying that the applicant for registration does not satisfy the criteria set forth in Article 49, item (iii);
- (vi) if the applicant for registration is to conduct the business of purchase and sale, etc. of beneficial interest in real property trust, a document certifying that the applicant for registration does not satisfy the criteria specified in Article 49, item (iv);
  - (vii) a document stating the matters related to the ability to conduct business of the applicant for registration, if the applicant is to conduct specified investment management business related to real property;
  - (viii) the notes related to the balance sheet and the notes related to the profit and loss statement;
  - (ix) if the applicant for registration is to conduct business related to the wholesale underwriting of securities for the securities set forth in Article 33, paragraph (2), item (i) of the Act, or the business related to the act set forth in item (v) of that paragraph for the transaction set forth in that item, the following documents:
    - (a) the resume of the person responsible for managing the business;
    - (b) the internal rules concerning the business;
    - (c) the contract documents to be used in transactions with customers in connection with the business; and
  - (x) if the applicant for registration is to conduct financial instruments intermediary services, a copy of the written contract for the entrustment contract of financial instruments intermediary services concluded with the entrusting financial instruments business operator;
  - (xi) for conducting high-speed trading as registered financial institution business, the resume of the person responsible for managing services pertaining to high-speed trading.
- (2) In attaching the document set forth in item (vii) of the preceding paragraph, if the notes related to the balance sheet or the notes related to the profit and loss statement have been prepared as an electronic or magnetic record, an applicant for registration may attach the electronic or magnetic record (limited to the record provided for in Article 11) in lieu of documents; and
- (xii) in the case prescribed in Article 45, item (xvi), a document explaining the outline of the cryptoassets and financial indexes set forth in Article 8, item (xii).
- (2) In attaching the document set forth in item (vii) of the preceding paragraph, if the notes related to the balance sheet or the notes related to the profit and loss statement have been prepared as an electronic or magnetic record, the applicant for registration may attach electronic or magnetic record (limited to the record provided for in Article 11) in lieu of documents.

(Public Inspection of Register of Registered Financial Institutions)

Article 48 The competent Director-General of a Local Finance Bureau, etc. is to keep the register of registered financial institutions containing information on the registered financial institutions to which the Director-General has granted registration, at the finance bureau with jurisdiction over the locality of the head office, etc. of the registered financial institution (if the locality falls within the jurisdictional district of the Fukuoka Local Finance Branch Bureau, at the Fukuoka Local Finance Branch Bureau), and make the register available for public inspection.

(Criteria for Examination of Personnel Structure)

Article 49 When conducting an examination on whether the applicant for registration lacks a personnel structure sufficient to appropriately conduct a registered financial institution business provided for in Article 33-5, paragraph (1), item (iii) of the Act, whether the applicant for registration falls under any of the following criteria is to be examined:

- (i) the applicant for registration is found not able to properly conduct the business, in light of the state of securing officers or employees that have sufficient knowledge and experience for conducting the business and its organizational structure;
- (ii) the applicant for registration is found to be likely to cause a loss of credibility of registered financial institution business due to having an officer or employee with qualities inappropriate for operating business in light of the personal history of the officer or the employee, relationships with the organized crime group as defined in Article 2, item (ii) of the Act on Prevention of Illegal Acts by Organized Crime Group Members, or relationships with the organized crime group members as defined in item (vi) of that Article, or other circumstances;
- (iii) if the applicant for registration is to conduct business related to commodities investment for racehorses, that the applicant does not satisfy the following requirements:
  - (a) the applicant for registration has been given guidance by the Japan Racing Association or the National Association of Racing in advance;
  - (b) the business related to commodities investment conducted by the applicant for registration only falls under either of the business related to investment in racehorses related to the rights set forth in Article 7, item (iv), sub-item (d), 1. or the business related to investment in racehorses related to the rights set forth in Article 7, item (iv), sub-item (d), 2.;
  - (c) if the applicant for registration is to conduct a business related to investment in racehorses related to the rights set forth in Article 7, item

- (iv), sub-item (d), 2., that the applicant has obtained a registration referred to in Article 13, paragraph (1) of the Horse Racing Act (including as applied *mutatis mutandis* pursuant to Article 22 of that Act);
- (iv) if the applicant for registration is to conduct the business of purchase and sale, etc. of beneficial interest in real property trust, that the applicant does not satisfy the following requirements:
  - (a) the applicant for registration has assigned officers or employees that have expert knowledge of and experience in transactions related to building lots or buildings to each of the following departments:
    1. the department in charge of supervising the business of purchase and sale, etc. of beneficial interest in real property trust;
    2. the department in charge of the internal audit; and
    3. the department in charge of work related to instructions for having the officers and employees comply with laws and regulations, etc.;
  - (b) the officers or the employees that conduct the business of purchase and sale, etc. of beneficial interest in real property trust have sufficient expert knowledge of and experience in transactions of building lots or buildings for giving explanations by the means and to the extent that is required for a customer to understand the matters set forth in the items of Article 85, paragraph (1), in light of the customer's knowledge, experience, status of property, and the purpose of concluding a financial instruments transaction contract.
- (v) if the applicant for registration is to conduct specified investment management business related to real property, that the applicant does not satisfy the requirements specified by the Commissioner of the Financial Services Agency.

(Conditions for Registering Over-the-Counter Derivatives Transactions Related to Securities)

Article 50 The conditions specified by Cabinet Office Order as prescribed in Article 33-5, paragraph (2) of the Act are as follows:

- (i) if a bank, an insurance company (meaning an insurance company as defined in Article 2, paragraph (2) of the Insurance Business Act (Act No. 105 of 1995) and including a foreign insurance company, etc. as defined in paragraph (7) of that Article; the same applies hereinafter), a federation of shinkin banks, the Norinchukin Bank, or the Shoko Chukin Bank Limited, which is a registered financial institution, conducts over-the-counter derivatives transactions related to share certificates (meaning the transaction set forth in Article 33, paragraph (2), item (v) of the Act for which the market value fluctuates depending on the fluctuation of price of share certificates or stock price index (meaning the index calculated based on

- the price of share certificates; the same applies in item (iv)); hereinafter the same applies in this Article) on a regular basis, the accounting for the over-the-counter derivatives transactions related to share certificates is managed in a specified transaction account (meaning the specified transaction account prescribed in Article 13-6-3, paragraph (1) of the Order for Enforcement of the Banking Act (Order of the Ministry of Finance No. 10 of 1982), Article 12-4-3, paragraph (1) of the Order for Enforcement of the Long Term Credit Bank Act (Order of the Ministry of Finance No. 13 of 1982), Article 53-6-2, paragraph (1) of the Order for Enforcement of the Insurance Business Act (Order of the Ministry of Finance No. 5 of 1996), Article 107, paragraph (1) of the Order for Enforcement of the Shinkin Bank Act (Order of the Ministry of Finance No. 15 of 1982), Article 65, paragraph (1) of the Order for Enforcement of the Norinchukin Bank Act (Order of the Cabinet Office and the Ministry of Agriculture, Forestry and Fisheries No. 16 of 2001) or Article 18, paragraph (1) of the Order for Enforcement of The Shoko Chukin Bank Limited Act Relating to the Ministry of Economy, Trade and Industry, the Ministry of Finance and the Cabinet Office (Order of the Cabinet Office, the Ministry of Finance, and the Ministry of Economy, Trade and Industry No. 1 of 2008) (in case of a foreign bank branch office prescribed in Article 47, paragraph (2) of the Banking Act (Act No. 59 of 1981) or a foreign insurance company, etc. as defined in Article 2, paragraph (7) of the Insurance Business Act, an account similar to a specified transaction account); hereinafter the same applies in this Article);
- (ii) if a registered financial institution other than that prescribed in the preceding item conducts over-the-counter derivatives transactions related to share certificates on a regular basis, that the accounting for the over-the-counter derivatives transactions related to share certificates is to be managed in an account equivalent to the specified transaction account;
  - (iii) notwithstanding the provisions of the preceding two items, that a registered financial institution that conducts over-the-counter derivatives transactions related to share certificates on a regular basis may manage only the over-the-counter derivatives transactions related to share certificates which satisfy all of the following requirements in an account other than the specified transaction account (for a registered financial institution provided for in the preceding item, an account other than an account equivalent to the specified transaction account):
    - (a) the counterparty to the over-the-counter derivatives transactions related to share certificates is a financial instruments business operator that conducts the transaction set forth in Article 28, paragraph (8), item (iv) of the Act, or its intermediary, brokerage (excluding brokerage for clearing of securities, etc.) or agency services on a regular basis, or is a registered



- financial institution that conducts the act specified in Article 33, paragraph (2), item (v) of the Act for the transaction set forth in that item on a regular basis; and
- (b) the counterparty to the over-the-counter derivatives transactions related to share certificates manages the accounting for those over-the-counter derivatives transactions related to share certificates in the specified transaction account (in the case of a financial instruments business operator, the same type of account as the specified transaction account, or in the case of a registered financial institution provided for in the preceding item, an account equivalent to the specified transaction account);
- (iv) if a registered financial institution conducts over-the-counter derivatives transactions related to share certificates on a regular basis, that the registered financial institution is to restrain to the extent possible the amount of loss in the specified transaction account which may accrue from a fluctuation in the price of share certificates or stock price index related to those over-the-counter transactions related to share certificates by immediately conducting a transaction (limited to a transaction managed in the specified transaction account (in the case of a registered financial institution prescribed in item (ii), an account equivalent to the specified transaction account; hereinafter the same applies in this item)) for effectively reducing the loss that arises from a fluctuation in the price of share certificates or stock price index related to those over-the-counter derivatives transactions related to share certificates.

(Notification of Changes to Matters Stated in a Written Application for Registration)

Article 51 (1) A registered financial institution that files a notification pursuant to the provisions of Article 33-6, paragraph (1) of the Act must submit to the Commissioner of the Financial Services Agency or the competent Director-General of a Local Finance Bureau a document stating the content and date of the change and the reasons for the change prepared by using the Appended Form No. 9, a copy of that document, and by attaching a document specified in the following items in accordance with the category of documents set forth in each of those items; provided, however, that, if there are compelling reasons, it is sufficient for the documents specified in each of the items to be submitted without delay after the submission of the written notification:

- (i) if there is any change to the matters set forth in Article 33-3, paragraph (1), item (i) or (ii) of the Act, or the matters set forth in Article 44, item (xiii): the certificate of registered information stating the changed information, or alternative documents;
- (ii) if there is any change to the matters set forth in Article 33-3, paragraph (1),

- item (iii) or (iv) of the Act: the following documents:
- (a) the documents stating the personnel structure and the system for conducting business of the organization;
  - (b) the certificate of registered information stating the changed information, or alternative documents; and
  - (c) the resume of the person that has newly assumed the position of an officer (limited to an officer in charge of registered financial institution business or an accounting advisor) (if the officer is a corporation, the document stating the background of the officer);
- (iii) if there is any change to the matters set forth in Article 33-3, paragraph (1), item (vii) of the Act (if the business office or office is closed): a document stating the details of handling customers' accounts accompanying the change;
- (iv) if there is any change to the matters set forth in Article 44, item (i): the resume of the person that newly became an important employee;
- (v) if there is any change to the matters set forth in Article 44, items (iv) through (xii) (only if the registered financial institution has come to newly conduct the businesses set forth in those items): internal rules relating to the businesses, if the applicant for registration is not a member of a financial instruments firms association (limited to an association that has a principal association member or a member as a person that conducts the businesses to be newly conducted by the registered financial business);
- (vi) if there is any change to the matters set forth in Article 44, item (iv)-2 (limited to cases in which a registered financial institution has come to conduct electronic trading platform management services): the following documents:
- (a) the resume of the responsible person for managing electronic trading platform management services;
  - (b) the internal rules concerning electronic trading platform management services;
  - (c) written contracts and the documents attached to them to be used for the transactions with customers relating to electronic trading platform management services; and
  - (d) an appraisal report issued by a person that have no special interest relationship with the notifying person in relation to the matters set forth in Article 45, item (vii), sub-item (i);
- (vii) if there is any change to the matters set forth in Article 44, item (vi) (limited to cases in which the registered financial institution has come to be newly entrusted with financial instruments intermediary services): a copy of the written contract for the entrustment contract of financial instruments intermediary services concluded with the entrusting financial instruments

- business operator;
- (viii) if there is any change to the matters set forth in Article 44, item (vii), sub-item (d) (limited to cases in which the registered financial institution has come to conduct business related to investment in racehorses): a document certifying that the registered financial institution does not fall under the criteria set forth in Article 49, item (iii);
  - (ix) if there is any change to the matters set forth in Article 44, item (ix) (limited to cases in which the registered financial institution has come to conduct business of purchase and sale, etc. of beneficial interest in real property trust): a document certifying that the registered financial institution does not fall under the criteria set forth in Article 49, item (iv); and
  - (x) if there is any change to the matters set forth in Article 44, item (x) (limited to cases in which the registered financial institution has come to conduct specified investment management business related to real property): a document stating the matters related to its capacity to perform business when specified investment management business related to real property is to be conducted.
- (2) If the Commissioner of the Financial Services Agency or the competent Director-General of a Local Finance Bureau has received from a registered financial institution a notification on a change to the locality of the head office, etc. which was filed beyond the jurisdictional area of the competent Director-General of a Local Finance Bureau, etc., the Commissioner or the Director-General is to send or have an official send the written notification, the portion of the register of registered financial institutions related to the registered financial institution and other documents to the Director-General of a Local Finance Bureau with jurisdiction over the changed locality of the head office, etc. related to the notification (if the locality falls within the jurisdictional area of the Fukuoka Local Finance Branch Bureau, to its Director-General).
- (3) The Director-General of a Local Finance Bureau or the Director-General of the Fukuoka Local Finance Branch Bureau who has received the documents sent under the provisions of the preceding paragraph is to register the matters related to the registered financial institution in the register of registered financial institutions.

(Notification on Change of Content and Method of Business)

Article 52 A registered financial institution that files a notification pursuant to the provisions of Article 33-6, paragraph (3) of the Act must submit to the Commissioner of the Financial Services Agency or the competent Director-General of a Local Finance Bureau a written notification stating the content and the scheduled date or actual date of the change, and the reasons for the

change, by attaching a document stating the matters set forth in the items of Article 45 (limited to matters whose content has been changed) and a document specified in Article 47, paragraph (1), items (xi) and (xii) (limited to matters whose content has been changed) and a document specified in Article 51, paragraph (1), item (vi) (limited to matters whose content has been changed).

### **Subsection 5 Professional Investors**

(Type of Contract)

Article 53 The type of contract specified by Cabinet Office Order as prescribed in Article 34 of the Act is as follows:

- (i) a contract which provides for performing acts set forth in Article 2, paragraph (8), items (i) through (x) of the Act, acts set forth in item (xvi) of that paragraph or in Article 1-12, item (ii) of the Cabinet Order to be performed for those acts, or acts set forth in item (xvii) of that paragraph, in relation to securities;
- (ii) a contract which provides for performing acts set forth in Article 2, paragraph (8), items (i) through (v) of the Act, acts set forth in item (xvi) of that paragraph or in Article 1-12, item (ii) of the Cabinet Order to be performed for those acts, or acts set forth in item (xvii) of that paragraph, in relation to derivative transactions;
- (iii) an investment advisory contract and a contract which provides for performing an act set forth in Article 2, paragraph (8), item (xiii) of the Act (limited to the act related to an investment advisory contract); and
- (iv) a discretionary investment contract and a contract which provides for performing an act set forth in Article 2, paragraph (8), item (xiii) of the Act (limited to the act related to a discretionary investment contract).

Article 54 Deleted

(Matters to Be Stated in Document to Be Delivered to Professional Investor That Made a Request)

Article 55 The matters specified by Cabinet Office Order as prescribed in Article 34-2, paragraph (3), item (iv) of the Act are as follows:

- (i) the fact that the applicant (meaning an applicant prescribed in Article 34-2, paragraph (3) of the Act; the same applies in the following item) is to be treated as a customer other than a professional investor concerning the subject contract (meaning a subject contract prescribed in that paragraph; the same applies in that item and Article 57-2), only by the financial instruments business operator, etc. that has given an approval under the provisions of paragraph (2) of that Article; and

- (ii) with regard to a financial instruments transaction contract which the financial instruments business operator, etc., on behalf of the applicant, concludes with another financial instruments business operator, etc. on or after the approval date (meaning the approval date provided for in Article 34-2, paragraph (3), item (i) of the Act) based on the subject contract, the applicant is to be treated as a customer other than a professional investor also by the other financial instruments business operator, etc.

(Provision Using Information and Communications Technology)

Article 56 (1) The means specified by Cabinet Office Order as prescribed in Article 34-2, paragraph (4) of the Act (including as applied mutatis mutandis pursuant to Article 34-3, paragraph (12) (including as applied mutatis mutandis pursuant to Article 34-4, paragraph (6) of the Act), Article 34-4, paragraph (3), Article 37-3, paragraph (2), Article 37-4, paragraph (2), Article 37-5, paragraph (2), Article 40-2, paragraph (6), Article 40-5, paragraph (3) and Article 42-7, paragraph (2) of the Act; hereinafter the same applies in this Article) are the following means (hereinafter referred to as "electronic or magnetic means"):

- (i) the means of using an electronic data processing system which are set forth in the following items:
  - (a) the means of transmitting matters required to be stated in a document (hereinafter referred to as the "matters to be stated" in this Article) via telecommunications line that connects the computers used by a financial instruments business operator, etc. (including a person that, pursuant to the contract with a financial instruments business operator, etc. that provides the matters prescribed in Article 34-2, paragraph (4) of the Act, stores files on a computer managed by the person, and provides them to the other party to whom the matters are provided (hereinafter referred to as the "customer" in this Article) or provides them for use by the financial instruments business operator, etc.; hereinafter the same applies in this Article) and the computers used by the customers, etc. (meaning a customer and a person that stores a customer file (meaning the file solely used by customers; hereinafter the same applies in this Article) on a computer managed by such person; hereinafter the same applies in this Article), and recording the matters in the customer file stored on the computer used by the customers, etc. (if the applicant gives consent to the provision of the matters by the means prescribed in Article 34-2, paragraph (4) of the Act or notifies that they are not willing to be provided with the matters by such means, the means of recording the fact in a file stored on the computer used by the financial instruments business operator, etc. that provides the matters provided for in that paragraph);

- (b) the means of making the matters stated which are recorded in the files stored on a computer used by a financial instruments business operator, etc. available for customers' inspection via telecommunications line, and recording the matters stated into the customer file of that customer stored on the computer used by the customer, etc. (if the applicant gives consent to the provision of the matters by the means prescribed in Article 34-2, paragraph (4) of the Act or notifies that they are not willing to be provided with the matters by such means, the means of recording the fact in a file stored on the computer used by the financial instruments business operator, etc.);
  - (c) the means of making the matters stated which are recorded in the customer file stored on the computer used by a financial instruments business operator, etc. available for customers' inspection via telecommunications line; and
  - (d) the means of making the matters stated which are recorded in the inspection file (meaning a file stored on a computer used by a financial instruments business operator, etc., on which the matters stated are recorded for the purpose of making them available for inspection by multiple customers at the same time; hereinafter the same applies in this Article) available for customers' inspection via telecommunications line;
  - (ii) the means of delivering a medium recording the matters stated on the file prepared by using an object that can securely record certain information by the means of a magnetic disk, CD-ROM, or any other equivalent means.
- (2) The means set forth in the items of the preceding paragraph must conform to the following criteria:
- (i) the means enables a customer to prepare a document by outputting the matters recorded in the customer file or inspection file;
  - (ii) when the means set forth in item (i), sub-item (a), sub-item (c), or sub-item (d) of the preceding paragraph (excluding the means of recording the matters stated in the customer file stored on a computer used by a customer) is used, the customer is informed of the fact that the matters stated are to be recorded or have been recorded in the customer file or the inspection file; provided, however, that this does not apply if it has been confirmed that the customer has inspected the matters stated;
  - (iii) for the means set forth in item (i), sub-item (c) or (d) of the preceding paragraph, that the following matters may not be deleted or altered until five years have passed from the day when the transaction set forth in the matters stated was finally conducted (if a complaint related to the matters stated has been raised before the expiration date of that period, until either the expiration date of the period or the day when the complaint was settled, whichever comes later); provided, however, that the matters stated may be

deleted if the matters stated which are made available for inspection are delivered in writing, the matters stated are provided by the means set forth in item (i), sub-item (a) or (b) of the preceding paragraph or in item (ii) of that paragraph with the customer's consent (meaning a consent given by the means provided for in Article 15-22 of the Order), or the customer has instructed that the matters stated are to be deleted:

- (a) in the case of the means set forth in item (i), sub-item (c) of the preceding paragraph, the matters stated which are recorded in the customer file; and
  - (b) in the case of the means set forth in item (i), sub-item (d) of the preceding paragraph, the matters stated which are recorded in the inspection file;
  - (iv) in the case of the means set forth in item (i), sub-item (d) of the preceding paragraph, that the matters stated conform to the following requirements:
    - (a) the information necessary for customers to inspect the inspection file is recorded in the customer file; and
    - (b) until the end of the period provided for in the preceding item, the customer file that has the information necessary for the customer to inspect the inspection file pursuant to the provisions of sub-item (a) is to be kept connected to the inspection file via telecommunications line; provided, however, that this does not apply if the customer who has been given access to the files has notified that it is not necessary to keep the connection.
- (3) The term "electronic data processing system" as used in paragraph (1), item (i) means an electronic data processing system that connects via telecommunications line a computer used by a financial instruments business operator, etc. and a computer that has customer files used by a customer, etc. or a financial instruments business operator, etc. stored.

(Type and Content of Electronic or Magnetic Means)

Article 57 The type and content of the means required to be specified pursuant to the provisions of Article 15-22, paragraph (1) and Article 15-23, paragraph (1) of the Order are as follows:

- (i) the means set forth in the items of paragraph (1) of the preceding Article or the items of Article 57-3, paragraph (1), which are used by financial instruments business operators, etc.; and
- (ii) the formalities for recording the matters in a file.

(Matters to Be Stated in Document Indicating Consent by Person That Made Request for Reinstatement as a Professional Investor)

Article 57-2 The matters specified by Cabinet Office Order as prescribed in Article 34-2, paragraph (11) of the Act are as follows:

- (i) the day when the consent under the provisions of Article 34-2, paragraph

- (11) of the Act is given (hereinafter referred to as the "date of consent" in this Article);
- (ii) the type of contract to which the subject contract belongs (meaning the type of contract provided for in Article 34 of the Act; hereinafter the same applies in this Subsection);
  - (iii) the fact that the applicant for reinstatement (meaning an applicant for reinstatement provided for in Article 34-2, paragraph (11) of the Act; hereinafter the same applies in this Article) understands the following matters:
    - (a) the provisions set forth in the items of Article 45 of the Act do not apply if the applicant for reinstatement is a person specified in each of those items in connection to subject contracts (excluding the cases specified in the proviso to that Article);
    - (b) if a person that, in light of the knowledge, experience, and state of property of the person, is deemed inappropriate to be treated as a professional investor in connection to subject contracts is treated as a professional investor, the protection of that person may be impaired;
  - (iv) the applicant for reinstatement will once again be treated as a professional investor when soliciting the conclusion of or concluding the subject contract on or after the date of consent;
  - (v) with regard to a financial instruments transaction contract that a financial instruments business operator, etc. concludes with another financial business operators, etc. on behalf of an applicant for reinstatement, on or after the date of consent based on the subject contract, the applicant for reinstatement will also once again be treated as a professional investor by the other financial instruments business operators, etc.; and
  - (vi) the applicant for reinstatement may make a request under the provisions of Article 34-2, paragraph (1) of the Act at any time on or after the date of consent.

(Obtaining Consent Using Information and Communications Technology)

- Article 57-3 (1) The means specified by Cabinet Office Order as prescribed in Article 34-2, paragraph (12) of the Act (including as applied mutatis mutandis pursuant to Article 34-3, paragraph (3) (including as applied mutatis mutandis pursuant to Article 34-4, paragraph (6) of the Act) and Article 43-4, paragraph (3) of the Act; hereinafter the same applies in this Article) are as follows:
- (i) the means of using an electronic data processing system which are set forth in the following sub-items:
    - (a) the means of sending the matters via a telecommunications line that connects a computer used by a financial instruments business operator, etc. and that used by the other party from whom the business operator seeks to



obtain consent pursuant to the provisions of Article 34-2, paragraph (12) of the Act (hereinafter referred to as the "customer" in this Article), and recording the information in a file stored on a computer used by the recipient; and

- (b) the means of making the matters related to the customer's consent recorded in a file stored on a computer used by a financial instruments business operator, etc. available for the customer's inspection through a telecommunications line, and recording the matters related to the customer's consent in a file stored on a computer used by the financial instruments business operator, etc.;
  - (ii) the means of obtaining a medium on which the file that has the matters related to a consent recorded, which is prepared by using an object that can securely record certain information by means of a magnetic disk, CD-ROM, or any other equivalent means.
- (2) The means set forth in the items of the preceding paragraph must be the means that enables a financial instruments business operator, etc. to prepare a document by way of outputting the matters recorded on the file.
- (3) The term "electronic data processing system" as used in paragraph (1), item (i) means an electronic data processing system that connects a computer used by a financial instruments business operator, etc. and a computer used by a customer via telecommunications line.

(Due Date for Deeming a Corporation That Is Customer Other Than a Professional Investor to Be a Professional Investor)

Article 58 (1) The case specified by Cabinet Office Order as prescribed in Article 34-3, paragraph (2) of the Act is the case if a financial instruments business operator, etc. has designated a certain date and publicized the following matters by posting them at a place easily visible to the public at its business office or office, or by other appropriate means:

- (i) the designated date; and
  - (ii) the fact that the day provided for in the following paragraph is the due date (meaning the due date provided for in Article 34-3, paragraph (2), item (ii) of the Act; the same applies in paragraph (2) of the following Article and Article 60).
- (2) The day specified by Cabinet Office Order as prescribed in Article 34-3, paragraph (2) of the Act is the day designated by a financial instruments business operator, etc. pursuant to the provisions of the preceding paragraph, which is the latest date within one year from the date of acceptance (meaning the date of acceptance prescribed in paragraph (2), item (i) of that Article; the same applies in paragraph (2), item (v) of the following Article and Article 60).

(Matters to Be Stated in Documents Indicating the Consent by a Corporation

That Is a Customer Other Than Professional Investors That Made a Request)

Article 59 (1) The matter specified by Cabinet Office Order as prescribed in Article 34-3, paragraph (2), item (iv), (a) of the Act is the fact that the provisions of the items of Article 45 of the Act do not apply if the applicant (meaning the applicant prescribed in Article 34-3, paragraph (2) of the Act; the same applies in the following paragraph) falls under any of the persons set forth in each of those items concerning the subject contract (meaning the subject contract prescribed in Article 34-3, paragraph (2), item (ii) of the Act; the same applies in the following paragraph and Article 60-2) (excluding the case prescribed in the proviso to Article 45 of the Act).

(2) The matters specified by Cabinet Office Order as prescribed in Article 34-3, paragraph (2), item (vii) of the Act are as follows:

- (i) the fact that for an act conducted based on the provisions of laws and regulations or the contract related to the subject contract (excluding an investment advisory contract and a discretionary investment contract) concluded before the due date, the applicant is to be treated as a professional investor, even if that act is conducted after the due date;
- (ii) if the types of contract related to the request provided for in Article 34-3, paragraph (2) of the Act falls under those set forth in Article 53, items (iii) and (iv), the fact that an act conducted based on the provisions of laws and regulations or the contract related to the subject contract (limited to an investment advisory contract and a discretionary investment contract), the applicant is to be treated as a professional investor only for the act conducted before the due date;
- (iii) the fact that the applicant is to be treated as a professional investor with regard to the subject contract, only by the financial instruments business operator, etc. that has accepted the request under the provisions of Article 34-3, paragraph (2) of the Act;
- (iv) the fact that, with regard to a financial instruments transaction contract that a financial instruments business operator, etc. concludes with another financial instruments business operator, etc. on behalf of the applicant before the due date based on the subject contract, the applicant is to be treated as a professional investor also by that other financial instruments business operator, etc.; and
- (v) the fact that the applicant may make a request under the provisions of Article 34-3, paragraph (9) of the Act at any time on or after the date of acceptance.

(Period Necessary for a Corporation That Is a Customer Other Than Professional Investors Which Made a Request to Make a Request for

Renewal)

Article 60 (1) The period specified by Cabinet Office Order as prescribed in Article 34-3, paragraph (7) of the Act is eleven months (in the cases set forth in the following items, the period specified in each of those items):

- (i) when the period between the date of acceptance and the due date is less than one year (excluding the case set forth in the following item): the period obtained by deducting one month; or
  - (ii) when the period between the date of acceptance and the due date does not exceed one month: one day.
- (2) In applying the provisions of the preceding paragraph in the cases prescribed in Article 34-3, paragraph (8) of the Act, the term "date of acceptance" in the items of that paragraph is deemed to be replaced with "day following the previous due date".

(Matters to Be Stated in a Document to Be Delivered to a Corporation That Made a Request for Reinstatement as a Customer Other Than a Professional Investor)

Article 60-2 The matters specified by Cabinet Office Order as prescribed in Article 34-3, paragraph (11) of the Act are as follows:

- (i) the day when the acceptance under the provisions of Article 34-3, paragraph (10) of the Act is to be given (hereinafter referred to as the "date of acceptance" in this Article);
- (ii) the type of contract to which the subject contract belongs;
- (iii) the fact that when soliciting the conclusion of, or concluding, the subject contract on or after the date of acceptance, the corporation that made a request under the provisions of Article 34-3, paragraph (9) of the Act (referred to as the "applicant for reinstatement" in the following item) is to be treated as a customer other than a professional investor again; and
- (iv) the fact that, with regard to a financial instruments transaction contract for which they conclude with another financial business operator, etc. on behalf of the applicant for reinstatement on or after the date of acceptance based on the subject contract, the applicant for reinstatement will also be treated as a customer other than a professional investor again by the other financial instruments business operator, etc.

(Proprietors That May Request to Be Treated as a Professional Investor)

Article 61 (1) The individual specified by Cabinet Office Order as prescribed in Article 34-4, paragraph (1), item (i) of the Act is one that satisfies any of the following requirements:

- (i) the fact that the individual has not obtained the consent from all of the silent partners in making a request under the provisions of Article 34-4,

- paragraph (1) of the Act; or
  - (ii) the fact that the total amount of the equity investment under the silent partnership contract which the individual concluded is less than 300 million yen.
- (2) The individuals specified by Cabinet Office Order as prescribed in Article 34-4, paragraph (1), item (i) of the Act are the following persons:
- (i) an individual who has concluded a partnership contract and has become a partner that has been entrusted with the execution of the business of the partnership (limited to an individual who satisfies all of the following requirements):
    - (a) the fact that the individual has obtained the consent from all of the other partners in making a request under the provisions of Article 34-4, paragraph (1) of the Act; and
    - (b) the fact that the total amount of the equity investment under the partnership contract is not less than 300 million yen.
  - (ii) an individual who has concluded a limited liability partnership agreement and is involved in the decision-making for executing important business of the partnership, and who is also a partner that personally executes the business (limited to an individual who satisfies all of the following requirements):
    - (a) the fact that the individual has obtained the consent from all of the other partners in making a request under the provisions of Article 34-4, paragraph (1) of the Act; and
    - (b) the fact that the total amount of the equity investment under the limited liability partnership agreement is 300 million yen or more.

(Individual Who May Request to be Treated as a Professional Investor)

Article 62 The requirements specified by Cabinet Office Order as prescribed in Article 34-4, paragraph (1), item (ii) of the Act are that the individual falls under all of the following requirements:

- (i) reasonably judging from the status of the transactions or any other circumstances, the amount obtained by deducting the total amount of its liabilities from the total amount of the assets of the applicant (meaning the applicant prescribed in Article 34-4, paragraph (2) of the Act; hereinafter the same applies in this Article and Article 64) on the date of acceptance (meaning the date of acceptance prescribed in Article 34-3, paragraph (2), item (i) of the Act as applied mutatis mutandis pursuant to Article 34-4, paragraph (6) of the Act; the same applies in the following item, paragraph (2) of the following Article, and Article 64, paragraph (2), item (v), and Article 64-2), is expected to be 300 million yen or more;
- (ii) reasonably judging from the status of the transactions or any other

circumstances, the total amount of the assets of the applicant (limited to the assets set forth in the following sub-items) on the date of acceptance is expected to be 300 million yen or more:

- (a) securities (excluding the securities set forth in sub-items (e) and (f) (limited to contracts that are concluded with a special enterprise operator as defined in Article 2, paragraph (9) of the Act on Specified Joint Real Estate Ventures (Act No. 77 of 1994)));
- (b) rights related to a derivative transaction;
- (c) specified deposits, etc. prescribed in Article 11-5 of the Agricultural Cooperatives Act (Act No. 132 of 1947), in Article 11-11 of the Fishery Cooperatives Act (Act No. 242 of 1948), in Article 6-5-11 of the Act on Financial Businesses by Cooperative (Act No. 183 of 1949), in Article 89-2 of the Shinkin Bank Act (Act No. 238 of 1951), in Article 17-2 of the Long Term Credit Bank Act (Act No. 187 of 1952), in Article 94-2 of the Labor Bank Act (Act No. 227 of 1953), in Article 13-4 the Banking Act, in Article 59-3 of the Norinchukin Bank Act (Act No. 93 of 2001), and in Article 29 of the Shoko Chukin Bank Limited Act (Act No. 74 of 2007);
- (d) the rights related to insurance proceeds, mutual aid benefits, refunds, or other benefits under a specified mutual aid contract prescribed in Article 11-10-3 of the Agricultural Cooperatives Act, a specified mutual aid contract prescribed in Article 12-3, paragraph (1) of the Consumer Cooperatives Act (Act No. 200 of 1948), a specified mutual aid contract prescribed in Article 15-12 of the Fisheries Cooperatives Act, a specified mutual aid contract prescribed in Article 9-7-5, paragraph (2) of the Small and Medium-Sized Enterprise Cooperatives Act (Act No. 181 of 1949), and a specified insurance contract prescribed in Article 300-2 of the Insurance Business Act;
- (e) beneficial interest in a trust related to a specific trust agreement prescribed in Article 24-2 of the Trust Business Act;
- (f) rights under a specified joint real estate venture contract as defined in Article 2, paragraph (3) of the Act on Specified Joint Real Estate Ventures; and
- (g) rights related to transactions on a commodity market (meaning the transactions on a commodity market as defined in Article 2, paragraph (10) of the Commodity Derivatives Transaction Act (Act No. 239 of 1950)), foreign commodity market transactions (meaning the foreign commodity market transactions as defined in paragraph (13) of that Article; the same applies in Article 67, item (i)), and over-the-counter commodity derivatives transactions (meaning the over-the-counter commodity derivatives transactions as defined in Article 2, paragraph (14) of that Act; the same applies in Article 67, item (ii) and Article 123, paragraphs (8) and (12));

and

- (iii) the fact that one year has passed from the day when the applicant concluded a financial instruments transaction contract that belongs to the type of contract related to the request under the provisions of Article 34-4, paragraph (1) of the Act with the financial instruments business operator, etc. for the first time.

(Due Date When an Individual Who Is a Customer Other Than a Professional Investor Is Deemed to Be a Professional Investor)

Article 63 (1) The case specified by Cabinet Office Order as prescribed in Article 34-3, paragraph (2) of the Act as applied mutatis mutandis pursuant to Article 34-4, paragraph (6) of the Act is a case in which a financial instruments business operator, etc. has specified a certain date and publicized the following matters by posting them at a place easily accessible to the public at its business office or office, or by any other appropriate means:

- (i) the designated date; and
  - (ii) the fact that the day provided for in the following paragraph is to be the due date (meaning the due date provided for in Article 34-3, paragraph (2), item (ii) of the Act as applied mutatis mutandis pursuant to Article 34-4, paragraph (6) of the Act; the same applies in paragraph (2) of the following Article and Article 64-2).
- (2) The day specified by Cabinet Office Order as prescribed in Article 34-3, paragraph (2) of the Act as applied mutatis mutandis pursuant to Article 34-4, paragraph (6) of the Act is the day specified by the financial instruments business operator, etc. pursuant to the provisions of the preceding paragraph, which is the latest day within one year from the date of acceptance.

(Matters to Be Stated in Documents Indicating Consent by an Individual Who Is a Customer Other Than the Professional Investor That Made a Request)

Article 64 (1) The matter specified by Cabinet Office Order as prescribed in Article 34-3, paragraph (2), item (iv), (a) of the Act as applied mutatis mutandis pursuant to Article 34-4, paragraph (6) of the Act is the fact that the provisions set forth in the items of Article 45 do not apply if the applicant falls under any of the persons prescribed in each of those items concerning the subject contract (meaning the subject contract prescribed in Article 34-3, paragraph (2), item (ii) of the Act; the same applies in the following paragraph and Article 64-3) (excluding the case specified in the proviso to Article 45 of the Act).

- (2) The matters specified by Cabinet Office Order as prescribed in Article 34-3, paragraph (2), item (vii) of the Act as applied mutatis mutandis pursuant to Article 34-4, paragraph (6) of the Act are as follows:

- (i) the fact that with regard to an act related to the subject contract concluded before the due date (excluding an investment advisory contract and a discretionary investment contract) which is to be conducted based on the provisions of laws and regulations or the contract, the applicant is treated as a professional investor, even if that act is to be conducted after the due date;
- (ii) if the type of the contract related to the request provided for in Article 34-3, paragraph (2) of the Act as applied mutatis mutandis pursuant to Article 34-4, paragraph (6) of the Act is the type of contract set forth in Article 53, items (iii) and (iv), the fact that with regard to an act conducted based on the provisions of laws and regulations or the contract related to the subject contract (limited to an investment advisory contract and a discretionary investment contract), the applicant is treated as a professional investor limited to an act conducted before the due date;
- (iii) the fact that the applicant is to be treated as a professional investor in regard to the subject contract, only by the financial instruments business operator, etc. that has accepted the request under the provisions of Article 34-3, paragraph (2) of the Act as applied mutatis mutandis pursuant to Article 34-4, paragraph (6) of the Act;
- (iv) the fact that with regard to a financial instruments transaction contract which the financial instruments business operator, etc. concludes with another financial instruments business operator, etc. on behalf of the applicant before the due date based on the subject contract, the applicant is to be treated as a professional investor also by the other financial instruments business operator, etc.; and
- (v) the fact that the applicant may make a request under the provisions of Article 34-4, paragraph (4) of the Act at any time on or after the date of acceptance.

(Period Necessary for an Individual Who Is a Customer Other Than a Professional Investor That Made a Request to Make a Request for Renewal)

Article 64-2 (1) The period specified by Cabinet Office Order as prescribed in Article 34-3, paragraph (7) of the Act as applied mutatis mutandis pursuant to Article 34-4, paragraph (6) of the Act is eleven months (in the cases set forth in the following items, the period specified in each of those items):

- (i) when the period between the date of acceptance and the due date is less than one year (excluding the case specified in the following item): the period calculated by deducting one month from that period; or
  - (ii) when the period between the date of acceptance and the due date does not exceed one month: one day.
- (2) In applying the provisions of the preceding paragraph in the cases prescribed in Article 34-3, paragraph (8) of the Act as applied mutatis mutandis pursuant

to Article 34-4, paragraph (6) of the Act, the term "date of acceptance" in the items of that paragraph is deemed to be replaced with "day following the previous expiration date".

(Matters to Be Stated in Documents to Be Delivered to an Individual Who Made a Request for Reinstatement as a Customer Other Than a Professional Investor)

Article 64-3 The matters specified by Cabinet Office Order as prescribed in Article 34-3, paragraph (11) of the Act as applied mutatis mutandis pursuant to Article 34-4, paragraph (6) of the Act are as follows:

- (i) the day when the acceptance under the provisions of Article 34-4, paragraph (5) of the Act is to be made (hereinafter referred to as the "date of acceptance" in this Article);
- (ii) the type of contract to which the subject contract belongs;
- (iii) when soliciting the conclusion of, or concluding, the subject contract on or after the date of acceptance, the fact that the individual that made a request under the provisions of Article 34-4, paragraph (4) of the Act (referred to as the "applicant for reinstatement" in the following item) is to be treated as a customer other than a professional investor again; and
- (iv) with regard to a financial instruments transaction contract which the financial instruments business operator, etc. concludes with another financial business operator, etc. on behalf of the applicant for reinstatement on or after the date of acceptance based on the subject contract, the applicant for reinstatement is to be treated as a customer other than a professional investor again also by the other financial instruments business operator, etc.

## **Section 2 Business**

### **Subsection 1 General Rules**

(Money Loan Secured by Securities in Safe Custody)

Article 65 The money loan specified by Cabinet Office Order as prescribed in Article 35, paragraph (1), item (iii) of the Act is money loan that falls under any of the following items:

- (i) if the securities deposited by the customer for safe custody are any of the following securities (limited to the securities owned by the customer which has made the deposit for safety custody), the money loan provided by using those securities as those necessary for the customer to continue to own them, in which the sum of the amount to be lent to the customer and the amount of loan already extended secured by those securities does not exceed five million yen (limited to the amount within the range of market price of the securities at the time of extending loan; the same applies in the following item):



- (a) national government bond securities;
  - (b) local government bond securities;
  - (c) government guaranteed bond certificates;
  - (d) corporate bond certificates;
  - (e) share certificates;
  - (f) beneficiary certificates of an investment trust or a foreign investment trust prescribed in the Act on Investment Trust and Investment Corporations (Act No. 198 of 1951);
  - (g) investment securities (meaning the investment securities provided in Article 2, paragraph (15) of the Act on Investment Trusts and Investment Corporations; the same applies hereinafter), investment corporation bond certificates (meaning the investment corporation bond certificates provided for in paragraph (20) of that Article; the same applies in Article 117, paragraph (20), item (iii) and Article 153, paragraph (1), item (iv), sub-items (c) and (d)) or foreign investment securities (excluding those similar to investment equity subscription right certificates);
  - (h) instruments or certificates issued by a foreign country or a foreign corporation, which have the nature of the securities set forth in sub-items (a) through (e);
- (ii) if the securities deposited by a customer for safe custody are any of the following beneficiary certificates of an investment trust (limited to the securities owned by the customer that has made the deposit for safety custody), a money loan provided in the amount equivalent to the cancellation money for those securities by using those securities as security to the customer that has requested the cancellation of those securities until the money related to the cancellation is paid, in which the sum of the amount to be lent to the customer and the amount of loan already lent by using those securities as security does not exceed five million yen:
- (a) public and corporate bond investment trust prescribed in Article 13, item (ii), sub-item (a) of the Regulation for Enforcement of the Act on Investment Trusts and Investment Corporations (Order of the Prime Minister's Office No. 129 of 2000) whose primary investment targets are financial assets including short-term public or corporate bonds (meaning the securities set forth in sub-items (a) through (d) of the preceding item (including instruments or certificates issued by a foreign country or a foreign corporation that have similar natures)), deposits, money trusts and call loans, which is a beneficiary certificate of those that satisfy all of the following requirements:
    1. the trust period is unlimited;
    2. the account is settled and the amount in excess of the principal is distributed every day, and its dividend is to be reinvested at the end of

- the month;
- 3. the bond investment trust may be canceled at any time; and
- 4. the cancellation money is payable on the day of cancellation or on the business day following that day;
- (b) beneficiary certificates of an investment whose primary investment targets are financial assets such as medium-term interest-bearing government bonds, deposits, money trusts, and call loans, which are beneficiary certificates of those that satisfy all of the following requirements; and
- (c) beneficiary certificates of public and corporate bond investment trust prescribed in Article 25, item (ii) of the Regulation for Enforcement of the Act on Investment Trusts and Investment Corporations (limited to those whose accounting period is one day).

(Conclusion of Contracts for Cumulative Investment)

Article 66 What is specified by Cabinet Office Order as prescribed in Article 35, paragraph (1), item (vii) of the Act is the conclusion of a contract that satisfies all of the requirements set forth in the following items:

- (i) the contract provides the type of the securities and the method for the appropriation of deposit for making purchases as a method of purchasing securities;
- (ii) the contract provides that the fruits (proceeds) from the money to be paid by the customer and the securities deposited by the customer, and the accounting for the deposits of financial instruments business operators accrued from the acceptance of redemption money are to be conducted separately from other deposits by considering them to be cumulative investment deposits;
- (iii) the contract provides that in making a joint purchase with another customer or financial instruments business operator, when the code and number of the securities purchased by a customer are identified, it becomes certain that the customer gains sole ownership of those securities;
- (iv) the deposited securities (limited to those co-owned by a financial instruments business operator and a customer) are to be managed separately from other securities, as a method for managing securities; and
- (v) the contract may be canceled if the customer makes a request.

(Acts Contributing to Regional Revitalization)

Article 66-2 The acts specified by Cabinet Office Order as prescribed in Article 35, paragraph (1), item (xvii) of the Act are the following acts (if newly acquiring management resources for performing operations to conduct the acts in addition to the human resources, information and communications

technology, equipment and other management resources held by the financial instruments business operator related to the financial instruments business conducted by the financial instruments business operator, even when the considerable part of the resources are not utilized depending on the demand situation, limited to acts that are not likely to hinder the sound and appropriate performance of the operations of the financial instruments business operator, the acts falling under the acts set forth in item (viii), item (xi), item (xii), and item (xvi) of that paragraph are excluded):

- (i) providing consultation on management to other business operators, etc. (meaning a corporation, other organizations, and an individual that conducts business (limited to an individual in the case of performing an act for the profit of the business); hereinafter the same applies in this Article and Article 68), introducing business operators, etc. or customers related to business of the other business operator, etc., providing other necessary information and advice, and becoming entrusted with the affairs related to them;
- (ii) worker dispatching services as defined in Article 2, item (i) of the Act on Securing the Proper Operation of Worker Dispatching Businesses and Protecting Dispatched Workers (Act No. 88 of 1985) of human resources with highly specialized abilities and other human resources that contribute to the improvement of the running of business by business operators, etc. who are users of the financial instruments business operator (limited to the services conducted in relation to performing the acts set forth in the preceding item on a regular basis and other services conducted by the financial instruments business operator, and the dispatched workers subject to the services (meaning dispatched workers as defined in Article 2, item (ii) and limited to those subject to the worker dispatch services as defined in item (i) of that Article conducted on a regular basis) are not workers that are regularly employed);
- (iii) designing, developing, or maintaining a system that functions by using a computer for another business operators, etc. (limited to the acts related to a system designed or developed solely by the financial instruments business operator or jointly with another business operator, etc., or an equivalent system), or designing, creating, selling (including selling peripheral equipment that becomes necessary in association with the sale of programs), or maintaining a program (limited to the acts related to a program designed or created solely by the financial instruments business operator or jointly with another business operator, etc., or an equivalent program);
- (iv) advertising, publicizing, investigating, analyzing information, or providing information related to the business of another business operator, etc.; and
- (v) visiting users of the financial instruments business operator regularly or in

response to a notification.

(Transactions Conducted by Using Fluctuations in Indexes)

Article 67 The transactions specified by Cabinet Office Order as prescribed in Article 35, paragraph (2), item (ii) of the Act are as follows:

- (i) foreign commodity market transactions; and
- (ii) over-the-counter commodity derivatives transactions.

(Business Subject to Notification)

Article 68 The business specified by Cabinet Office Order as prescribed in Article 35, paragraph (2), item (vii) of the Act is as follows:

- (i) a business related to purchase and sale of gold bullion, or its intermediation, brokerage, or agency;
- (ii) a business related to conclusion of a partnership contract, or its intermediation, brokerage, or agency;
- (iii) a business related to conclusion of a silent partnership contract, or its intermediation, brokerage, or agency;
- (iv) a business related to conclusion of a loan participation contract (meaning a contract in which the economic profit and risk of loss arising from the original credited loans is transferred from the original creditor to a third party without transferring any right and obligation arising from the credited loans of financial institutions, etc.), or its intermediation, brokerage, or agency;
- (v) a business related to insurance solicitation as defined in Article 2, paragraph (26) of the Insurance Business Act or insurance intermediary business operations as prescribed in Article 11, paragraph (3) of the Act on the Provision of Financial Services;
- (vi) a business related to lease of real property owned by financial instruments business operator themselves;
- (vii) rental services of goods;
- (viii) a business related to creation and sale of computer programs for the business of another business operator, etc., and a business that accepts entrustment of calculation services;
- (ix) a business of operational management of defined contribution pensions as defined in Article 2, paragraph (7) of the Defined Contribution Pension Act (Act No. 88 of 2001);
- (x) a business of conducting the affairs set forth in Article 61, paragraph (1), item (i), (ii), or (v) of the Defined Contribution Pension Act (for the affairs set forth in item (v), limited to the affairs related to the measures referred to in Article 22 of that Act as applied mutatis mutandis pursuant to Article 73 of that Act or the affairs related to the acceptance of notifications for the

- individual-type pension plan as defined in Article 2, paragraph (3) of that Act), based on an entrustment pursuant to the provisions of Article 61, paragraph (1) of that Act from the national pension fund association;
- (xi) trust agreement agency services as defined in Article 2, paragraph (8) of the Trust Business Act;
- (xii) services related to intermediation of conclusion of a contract related to services set forth in Article 1, paragraph (1), item (iv) of the Act on Engagement in Trust Business by Financial Institutions (Act No. 43 of 1943) or services set forth in item (vi) of that paragraph or services set forth in item (vi) of that paragraph which are related to execution of a will, or services set forth in that item or item (vii) of that paragraph (excluding sub-item (a)) which concerns the arrangement of an estate (limited to intermediary services conducted for a financial institution engaged in trust business (meaning a financial institution that obtained the authorization referred to in that paragraph; the same applies hereinafter));
- (xiii) financial institution agency services (meaning the bank agency services as defined in Article 2, paragraph (14) of the Banking Act, the long term credit bank agency services prescribed in Article 16-5, paragraph (2) of the Long-Term Credit Bank Act, the shinkin bank agency services prescribed in Article 85-2, paragraph (2) of the Shinkin Bank Act, the credit cooperative agency services prescribed in Article 6-3, paragraph (2) of the Act on Financial Businesses by Cooperative, the labor bank agency services prescribed in Article 89-3, paragraph (2) of the Labor Bank Act, the specific credit business agency services prescribed in Article 92-2, paragraph (2) of the Agricultural Cooperatives Act, the specific credit business agency services prescribed in Article 106, paragraph (2) of the Fishery Cooperatives Act, the Norinchukin Bank agency services prescribed in Article 95-2, paragraph (2) of the Norinchukin Bank Act, or the deposit, etc. intermediary business operations prescribed in Article 11, paragraph (2) of the Act on the Provision of Financial Services; the same applies hereinafter);
- (xiv) real property management business;
- (xv) a business of providing advice on investment related to real property;
- (xvi) a business of concluding a contract on the acquisition or transfer of carbon dioxide equivalent quotas (meaning the carbon dioxide equivalent quotas as defined in Article 2, paragraph (7) of the Act on Promotion of Global Warming Countermeasures (Act No. 117 of 1998) or other things similar to the quotas; the same applies in the following item), or of performing its intermediation, brokerage, or agency;
- (xvii) a business of conducting any of the following transactions, or its intermediation, brokerage, or agency:
- (a) a transaction in which the parties mutually promise to pay money based

- on the quotation for carbon dioxide equivalent quotas agreed by the parties for the carbon dioxide equivalent quotas whose quantities are specified by the parties, or other similar transactions; and
- (b) a transaction for which the parties promise that one of the parties will grant to the other party the right to close a transaction related to the contract referred to in the preceding item and a transaction set forth in sub-item (a) through the manifestation of intention of one of the parties, and that the other party pays money in consideration for that right, or other similar transactions;
  - (xviii) a business of conducting the affairs set forth in Article 117, paragraph (1), item (iv) of the Act on Investment Trust and Investment Corporations, based on an entrustment under the provisions of Article 117, paragraph (1) of that Act by an investment corporation (meaning an investment corporation as defined in Article 2, paragraph (12) of that Act; the same applies hereinafter) or a business of conducting the affairs related to the management of an organ of a special purpose company, based on an entrustment by that special purpose company;
  - (xix) a business of investing money or other property for another person, as an investment in assets other than securities or rights related to a derivatives transaction (excluding cryptoasset) (excluding business that falls under any of the business set forth in Article 35, paragraph (2), item (i), item (ii), item (v)-2, and item (vi) of the Act);
  - (xx) a business of concluding a contract for a guarantee or assumption of an obligation, or its intermediation, brokerage, or agency;
  - (xxi) a business of acting as a go-between for or introducing another business operator, etc., to the customers of one's business;
  - (xxii) a business of advertising or promoting the business of another business operator, etc.;
  - (xxiii) a funds transfer business as defined in Article 2, paragraph (2) of the Payment Services Act ; and
  - (xxiv) a business incidental to the business set forth in Article 35, paragraph (2), items (i) through (vi) of the Act or the preceding items.

(Notification of Additional Business)

Article 69 A financial instruments business operator that files a notification pursuant to the provisions of Article 35, paragraph (3) or (6) of the Act must submit to the Commissioner of the Financial Services Agency or the competent Director-General of a Local Finance Bureau a written notification stating the type of business to be notified and the date of the commencement or discontinuation of the business, and the reasons for the commencement or discontinuation, by attaching a document specified in the following items in

accordance with the category of documents prescribed in each of those items:

- (i) in the case the business is commenced: a document stating the following matters:
  - (a) the method of the business;
  - (b) the method of managing risk of loss related to the business; and
  - (c) the name and the assignment of personnel of the department in charge of the business;
- (ii) in the case the business is discontinued: a document stating the means of the handling customers' accounts associated with the discontinuation of the business.

(Application for Approval of Additional Business)

Article 70 (1) A financial instruments business operator that seeks to obtain the approval referred to in Article 35, paragraph (4) of the Act must submit to the Commissioner of the Financial Services Agency or the competent Director-General of a Local Finance Bureau a written application for approval stating the following matters:

- (i) the trade name;
  - (ii) the registration date and registration number;
  - (iii) the type of business for which approval is sought; and
  - (iv) the scheduled date for the commencement of the business.
- (2) A document stating the following matters must be attached to a written application for approval referred to in the preceding paragraph:
- (i) the content and method of the business;
  - (ii) the following matters concerning the method of managing the risk of loss related to the business:
    - (a) the method of calculating the value of loss risk equivalent related to the business (for a person that conducts type-I financial instruments business, including the market risk equivalent amount prescribed in Article 178, paragraph (1), item (i), the counterparty risk equivalent amount prescribed in item (ii) of that paragraph, and the fundamental risk equivalent amount prescribed in item (iii) of that paragraph; hereinafter the same applies in this item);
    - (b) the method of establishing and applying a ceiling on the value of loss risk equivalent related to the business;
    - (c) the name and structure of the department in charge of the calculation of the value of loss risk equivalent related to the business and the management of the ceiling thereof;
    - (d) the method of preparing and preserving materials that serve as the basis for the calculation of the value of loss risk equivalent related to the business;

- (e) the frequency of inspection of the value of loss risk equivalent related to the business and the status of application of its ceiling, and the name and structure of the department in charge of the inspection; and
- (f) any other material matters concerning the management of risk of loss related to the business;
- (iii) the organization in charge of the business and the assignment of personnel;
- (iv) the internal rules regarding the management of the business.

(Development of the Operational Control System)

- Article 70-2 (1) The operational control system required to be developed by a financial instruments business operator, etc. pursuant to the provisions of Article 35-3 of the Act is to develop internal rules, etc. for ensuring the appropriate implementation of financial instruments business, etc. (meaning internal rules and other equivalent rules) and to conduct employee training and take other measures for ensuring compliance with the internal rules, etc.
- (2) The operational control system required to be developed by a financial instruments business operator, etc. pursuant to the provisions of Article 35-3 of the Act (limited to a person that conducts electronic public offering services or a person that conducts the acts set forth in Article 2, paragraph (8), item (vii) of the Act by the method set forth in the items of Article 6-2 (limited to the case of conducting the acts related to the securities set forth in the items of Article 3 of the Act or the securities not listed on a financial instruments exchange (excluding those set forth in the items of Article 15-4-2 of the Order) on a regular basis); the same applies in item (ii)) must satisfy the following requirements in addition to the requirements referred to in the preceding paragraph.
- (i) the fact that measures to ensure sufficient control of the electronic data processing system related to the financial instruments business, etc. have been taken;
  - (ii) the fact that measures have been taken to make the content of information recorded in the file stored on the computer used by a financial instruments business operator, etc. available for public inspection via a telecommunications line for the matters required to be indicated on the sign referred to in Article 36-2, paragraph (1) of the Act pursuant to the provisions of that paragraph (if the financial instruments business operator, etc. conducts electronic-based application type electronic public offering services and is not a member of a financial instruments firms association (limited to an association that has persons conducting the business performed by the financial instruments business operator, etc. as the principal association members or members (limited to the business related to



- the electronic-based application type electronic public offering services)), including that fact);
- (iii) the fact that measures for conducting appropriate examinations (including the confirmation that the amount established as target of the subscription amount for customers of public offering or private placement of securities handled in electronic-based application type electronic public offering services (referred to as "target subscription amount" in the following item and item (v), and Article 83, paragraph (1), item (vi), sub-items (b) and (c)) is appropriate in light of the business plan of the issuer) of the financial status of the issuer, the content of the business plan, and the use of funds concerning the securities to be handled in electronic-based application type electronic public offering services, etc., or other matters that contribute to the decision on whether it is appropriate to make the securities the subject of electronic-based application type electronic public offering services, etc. have been taken;
  - (iv) the fact that the method of handling the target subscription amount are established for the case in which the subscription amount for the customers of the public offering or private placement of securities handled in electronic-based application type electronic public offering services failed to reach the target subscription amount within the period during which the customers may make a subscription for the acquisition of the securities (referred to as the "subscription period" in the following item and Article 83, paragraph (1), item (vi), sub-item (a)) and the case in which the subscription amount exceeds the target subscription amount, and that measures have been taken to prevent the customers from misunderstanding the method;
  - (v) the fact that measures have been taken to ensure that the issuer will not receive the payment of subscription price (including things equivalent to this; the same applies in item (vii) and Article 83, paragraph (1), item (vi), sub-item (d)) until the target subscription amount is achieved, if the financial instruments business operator, etc. is using a method in which the securities are issued only when the customer's subscription price reaches the target subscription amount within the subscription period in relation to the public offering or private placement of the securities handled in performing electronic-based application type electronic public offering services;
  - (vi) the fact that the measures for confirming that customers may withdraw the subscription or cancel the contract for subscription concluded with the issuer until the period of not less than eight days that commences from the day when the customer of the electronic-based application type electronic public offering services, etc. makes a subscription for the acquisition of securities to be handled in performing electronic-based application type electronic public offering services have been taken;

- (vii) the fact that the measures for ensuring that the issuer periodically provides customers with appropriate information on business after the issuer receives the payment of the subscription price by the customer of the electronic-based application type electronic public offering services have been taken; and
  - (viii) the fact that necessary and appropriate measures for preventing the total amount of the issue value of the securities related to the public offering or private placement which are handled in performing type-I small amount electronic public offering service or type-II small amount electronic public offering service and the amount to be paid by the person that acquires those securities from not satisfying the requirements set forth in the items of Article 15-10-3 of the Order (including measures for appropriately calculating the total amount of issue value of the securities and the amount to be paid by the person that acquires those securities based on the calculation method provided for in the paragraphs of Article 16-3) have been taken.
- (3) The term "electronic-based application type electronic public offering services, etc." as used in items (ii) through (vii) of the preceding paragraph means electronic-based application type electronic public offering services (meaning an electronic public offering services that has the counterparty to the electronic public offering services (hereinafter referred to as a "customer" in this paragraph) make a subscription for the acquisition of securities by the following means; hereinafter the same applies in this paragraph), or electronic public offering services conducted by a type-I small amount electronic public offering service provider or type-II small amount electronic public offering service provider (excluding services that fall under electronic-based application type electronic public offering services; hereinafter the same applies in this paragraph), and the acts set forth in Article 2, paragraph (8), item (ix) of the Act concerning the securities related to the public offering and private placement to be handled in performing these services (excluding electronic-based application type electronic public offering services, or the services that fall under electronic public offering services conducted by a type-I small amount electronic public offering service provider or type-II small amount electronic public offering service provider):
- (i) a means by which the matters concerning the securities to be subscribed for by a customer which are recorded in the file stored on a computer used by a financial instruments business operator, etc. are made available for inspection by customers through a telecommunication line, and the matters concerning the subscription by the customer is recorded in the file stored on a computer used by the financial instruments business operator, etc.; or
  - (ii) a means by which the matters concerning the securities to be subscribed for

- by a customer that intends to make a subscription for acquiring the securities are transmitted via a telecommunication line connecting a computer used by a financial instruments business operator, etc. and a computer used by the customer or by similar means (excluding the case that involves communication through audio transmission), and recording the matters concerning the subscription by the customer in the file stored on a computer used by the financial instruments business operator, etc.
- (4) The operational control systems required to be developed by financial instruments business operators, etc. pursuant to the provisions of Article 35-3 of the Act (limited to the business operators that conduct high-speed trading as financial instruments business, etc.) are that the measures for sufficiently managing an electronic data processing system and other facilities concerning high-speed trading are taken, in addition to the requirements referred to in paragraph (1).
- (5) The operational control system required to be developed by financial instruments business operators, etc. pursuant to the provisions of Article 35-3 of the Act (limited to the business operators that conduct securities, etc. management business or business prescribed in Article 7, item (xi) for electronically recorded transferable rights to be indicated on securities, etc.) are that the measures for the business operators to formulate and publicize, and implement, the policies concerning the performance of obligations when they are unable to perform all of the obligations concerning the management of electronically recorded transferable rights to be indicated on securities, etc. that they assume on behalf of the customers, out of electronically recorded transferable rights to be indicated on securities, etc. that they manage separately or distinctively from their own property pursuant to the provisions of Article 43-2, paragraph (1) or Article 43-3, paragraph (1) of the Act, as a result of leakage, loss, or damage of information necessary for transferring financial values on which electronically recorded transferable rights to be indicated on securities, etc. are indicated or due to other grounds (the policies include the actions necessary for performing the obligations and the period for taking those actions) are taken, in addition to the requirements referred to in paragraph (1).
- (6) The operational control systems required to be developed by financial instruments business operators, etc. pursuant to the provisions of Article 35-3 of the Act (limited to those whose parent company (meaning a parent company provided for in Article 57-2, paragraph (8) of the Act; hereinafter the same applies in this paragraph) is a foreign company designated by the Commissioner of the Financial Services Agency) are that the measures for ensuring continuous implementation of business with the parent company are taken as prescribed by the Commissioner of the Financial Services Agency, in

addition to the requirements under paragraph (1).

(7) The operational control systems required to be developed by financial instruments business operators, etc. (limited to a person that conducts purchase and sale of securities or market derivatives transactions on the financial instruments exchange market (limited to those conducted outside the trading session or through off-floor trading which is prescribed in the operational rules of a financial instruments exchange operating the financial instruments exchange market) or a brokerage service for entrusting those transactions (excluding brokerage for clearing of securities, etc.) on a regular basis by using an intra-company transaction system (meaning a system for which the financial instruments business operators, etc. or any other person determines the price of the purchase and sale of securities or market derivatives transactions or other conditions for trade, or conducts similar acts by using electronic data processing systems with many persons as the other party or each party of the trade at the same time, and excluding the proprietary trading system prescribed in Article 26-2-2, paragraph (7) of the Order; hereinafter the same applies in this paragraph and Article 158, paragraph (5))) pursuant to Article 35-3 of the Act must meet the following requirements, in addition to the requirements referred to in paragraph (1):

- (i) the measures to understand the status of operations of the intra-company transaction system that the financial instruments business operator, etc. uses (excluding the system established by the financial instruments business operator, etc.) are taken; and
- (ii) the measures for providing proper explanation to customers concerning the intra-company transaction system that the financial instruments business operator, etc. uses concerning the following matters, in light of the customers' knowledge, experience, status of property, and purpose of conducting the purchase and sale of securities or market derivatives transactions are taken:
  - (a) conditions for using the intra-company transaction system; and
  - (b) information on a person that establishes the intra-company transaction system, a person who can participate in making decisions on the conditions of transactions, the method of deciding conditions of transactions, and other information on the operation of the intra-company transaction system.

(Scope of Financial Instruments Related Business)

Article 70-3 The businesses specified by Cabinet Office Order as prescribed in Article 36, paragraph (2) of the Act are the businesses specified in the following items in accordance with the category of cases set forth in the each of those items:

- (i) when a specified financial instruments business operator, etc. (meaning a specified financial instruments business operator, etc. prescribed in Article 36, paragraph (3) of the Act; the same applies hereinafter) is a person set forth in Article 15-27, item (i) of the Order: the businesses set forth in the following sub-items (a) and (b):
  - (a) financial instruments business or registered financial institution business; and
  - (b) a business incidental to financial instruments business prescribed in Article 35, paragraph (1) of the Act (including a business conducted by a subsidiary financial institution, etc. of the specified financial instruments business operator, etc. (meaning a subsidiary financial institution, etc. prescribed in Article 36, paragraph (5) of the Act; the same applies hereinafter) that is equivalent to the business); and
- (ii) when a specified financial instruments business operator, etc. is a person set forth in Article 15-27, item (ii) of the Order: the businesses set forth in the following sub-items (a) and (b):
  - (a) financial instruments business or registered financial institution business; and
  - (b) a business incidental to financial instruments business prescribed in Article 35, paragraph (1) of the Act.

(Necessary Measures For Ensuing That Interests of Customers Will Not Be Unjustly Harmed)

Article 70-4 (1) A specified financial instruments business operator, etc. must take the following measures so that the interests of a customer related to financial instruments related business (meaning a financial instruments related business prescribed in paragraph (2) of that Article; the same applies hereinafter) conducted by the specified financial instruments business operator, etc. or their subsidiary financial institution, etc. will not be unjustly harmed, as a result of a transaction conducted by the specified financial instruments business operator, etc. or their parent financial institution (meaning a parent financial institution, etc. prescribed in Article 36, paragraph (4); the same applies hereinafter) or subsidiary financial institution, etc.:

- (i) the development of a system for identifying the subject transactions in an appropriate manner;
- (ii) the development of a system for appropriately ensuring the protection of the customer by the following means and other means:
  - (a) the means of separating the department that conducts the subject transactions and the department that conducts the transactions with the customer;
  - (b) the means of changing the terms and conditions or the means of

- conducting the subject transaction or the transactions with the customer;
- (c) the means of discontinuing the subject transactions or the transactions with the customer; and
- (d) the means of appropriately disclosing the fact that as a result of conducting the subject transactions, it is likely that the interests of the customer will be unjustly harmed;
- (iii) the formulation of the policies for implementing the measures set forth in the preceding two items and the publication of their overview by an appropriate method; and
- (iv) the preservation of the following records:
  - (a) the records related to the identification of subject transactions performed under the system referred to in item (i); and
  - (b) the records related to the measures for appropriately ensuring the protection of customers implemented under the system referred to in item (ii).
- (2) The records prescribed in item (iv) of the preceding paragraph must be preserved for five years after the day of their creation.
- (3) The "subject transaction" as used in paragraph (1) means the transaction conducted by a specified financial instruments business operator, etc. or their subsidiary financial institution, etc., when it is likely that the interests of a customer related to the financial instruments related business conducted by the specified financial instruments business operator, etc. or its subsidiary financial institution, etc. to be unjustly harmed, as a result of the transactions conducted by the specified financial instruments business operator, etc., or their parent financial institution or subsidiary financial institution.

(Format of Signs Required to Be Posted)

Article 71 The format specified by Cabinet Office Order as prescribed in Article 36-2, paragraph (1) of the Act are the format specified in the following items in accordance with the category of the persons set forth in each of those items:

- (i) financial instruments business operator: Appended Form No. 10; or
- (ii) registered financial institution: Appended Form 11.

(Acts Similar to Advertising)

Article 72 The acts specified by Cabinet Office Order as prescribed in the paragraphs of Article 37 of the Act are the acts of providing the same information to many persons, by the means of postal mail, correspondences delivery (meaning correspondence delivery as defined in Article 2, paragraph (2) of the Act on Correspondence Delivery by Private Business Operators (Act No. 99 of 2002) that is provided by a general correspondence delivery operator as defined in paragraph (6) of that Article or by a specified correspondence

delivery operator as defined in paragraph (9) of that Article; the same applies in Article 266), transmission by a facsimile device, electronic mail (meaning the electronic mail as defined in Article 2, item (i) of the Act on Regulation of Transmission of Specified Electronic Mail (Act No. 26 of 2002); the same applies in Article 266), distribution of fliers or pamphlets or by other means (excluding those set forth in the following sub-items):

- (i) distribution of documents prepared based on laws and regulations, or dispositions rendered by administrative agencies under laws and regulations;
- (ii) distribution of materials on the analysis and appraisal of individual companies which are not intended to be used for solicitation for the conclusion of a financial instruments transaction contract;
- (iii) means of providing premiums or other goods on which only all of the following information is indicated (limited to premiums or goods on which the information set forth in sub-items (b) through (d) are clearly and accurately indicated) (if there is information that is not indicated on the premiums or other goods, including the means of providing the premiums or other goods and the other goods on which the information is indicated together as a single unit):
  - (a) the name, issue, or common name of any of the following information:
    - 1. financial instruments transaction contract or its type;
    - 2. securities or their types;
    - 3. business subject to investment or its type; or
    - 4. information equivalent to those set forth in 1. through 3.;
  - (b) the trade name, name, or common name of the financial instruments business operator, etc. that provides the same information to many persons by the means specified in this item;
  - (c) the information set forth in Article 16, paragraph (2), item (i) of the Order and those set forth in Article 76, item (iii) (limited to those whose letters or numbers are indicated in a size which does not substantially differ from the size of the largest letters or numbers for the information other than that information);
  - (d) the fact that the recipient should thoroughly read any of the following documents:
    - 1. the document prescribed in Article 37-3, paragraph (1) of the Act (hereinafter referred to as the "document for delivery prior to conclusion of a contract");
    - 2. the document on listed securities, etc. prescribed in Article 80, paragraph (1), item (i);
    - 3. the prospectus prescribed in Article 80, paragraph (1), item (iii) (if there is any document to be delivered together with the prospectus as a single unit pursuant to the provisions of that item, that prospectus and

- that document); and
4. the contract change document prescribed in Article 80, paragraph (1), item (iv), (b).

(Presentation Method of Advertisement on the Content of Financial Instruments Business)

- Article 73 (1) If a financial instruments business operator, etc. makes an advertisement or conducts the acts prescribed in the preceding Article (hereinafter referred to as "advertisement, etc." in this Subsection) for the content of the financial instruments business they conduct (for a registered financial institution, registered financial institution business; the same applies in the following paragraph and paragraph (3)), they must clearly and accurately indicate the information set forth in the items of Article 37, paragraph (1) of the Act.
- (2) If a financial instruments business operator, etc. makes an advertisement, etc. of the content of the financial instruments business they conduct, they are to indicate the information set forth in Article 16, paragraph (1), items (iv) and (v) of the Order, and the information set forth in Article 76, item (iii) in a size that does not substantially differ from the size of the largest letters or numbers for the information other than that information.
- (3) Notwithstanding the provisions of the preceding paragraph, if a financial instruments business operator, etc. makes an advertisement of the content of the financial instruments business they conduct by means of having a basic broadcaster broadcast the advertisement using its broadcasting facilities (meaning the basic broadcaster prescribed in Article 2, item (xxiii) of the Broadcast Act (Act No. 132 of 1950) and excluding the Japan Broadcasting Corporation and the Open University of Japan (meaning the Open University of Japan defined in Article 3 of the Act on the Open University of Japan (Act No. 156 of 2002); the same applies hereinafter) or by the means set forth in the items of Article 77, paragraph (1) (excluding the means of sound broadcasting), the financial instruments business operator, etc. is to indicate the information set forth in Article 16, paragraph (2), item (i) of the Order and the information specified in Article 76, item (iii) in a size that does not substantially differ from the size of the largest letters or numbers for the information other than that information.

(Matters Related to Consideration Required to be Paid by Customers)

- Article 74 (1) The matters specified by Cabinet Office Order as prescribed in Article 16, paragraph (1), item (i) of the Order are the amount of the consideration payable by customers in relation to a financial instruments transaction contract irrespective of their name such as fees, remunerations, or



expenses (excluding the price of securities or the amount of security deposit, etc. (meaning the amount of security deposit, etc. prescribed in item (iii) of that paragraph; the same applies in Article 268, paragraph (1)); hereinafter referred to as the "fees, etc." in this Subsection) for each type of consideration or its upper limit, or the outline of their calculation method (including their ratio to the price of the securities, the amount of the derivative transactions, etc. prescribed in Article 16, paragraph (1), item (iii) of the Order or the amount of investment property, related to the financial instruments transaction contract, or their ratio to the profit generated from performing an act of financial instruments transaction; hereinafter the same applies in this paragraph) and the sum of the amount or its upper limit, or the outline of their calculation method; provided, however, that if these matters cannot be indicated, that fact and the reasons for that are to be indicated.

- (2) If the financial instruments transaction contract referred to in the preceding paragraph is related to the acquisition of rights to be indicated on the securities set forth in Article 2, paragraph (1), item (x) or (xi) of the Act or the rights set forth in paragraph (2), item (v) or (vi) of that Article (hereinafter referred to as the "investment trust beneficial interests, etc." in this Article and Article 268), and if the property related to the investment trust beneficial interests, etc. is to be invested in or contributed to another investment trust beneficial interests, etc. (hereinafter they are referred to as the "target investment trust beneficial interests, etc." in this Article), the fees, etc. referred to in the preceding paragraph are to include the trust fee and other fees, etc. related to the target investment trust beneficial interests, etc.
- (3) If the property related to the target investment trust beneficial interests, etc. referred to in the preceding paragraph are to be invested in or contributed to another investment trust beneficial interests, etc., those other investment trust beneficial interests, etc. are deemed to be target investment trust beneficial interests, etc., and the provisions of the preceding two paragraphs apply.
- (4) The provisions of the preceding paragraph apply mutatis mutandis to a case in which the property related to the investment trust beneficial interests, etc. which is deemed to be target investment trust beneficial interests, etc. pursuant to the provisions of that paragraph (including as applied mutatis mutandis pursuant to this paragraph) is to be invested in or contributed to another investment trust beneficial interests, etc.

(Matters Equivalent to Sale Price and Purchase Price)

Article 75 The matters specified by Cabinet Office Order as prescribed in Article 16, paragraph (1), item (vi) of the Order are the matters prescribed in the following items in accordance with the category of transactions set forth in each of those items:

- (i) the transactions set forth in Article 2, paragraph (22), item (ii) of the Act: the agreed figure under the transaction in which a person becomes the party that pays money when the actual figure (meaning the actual figure prescribed in item (ii), paragraph (21) of that Article; the same applies hereinafter) exceeds the agreed figure (meaning the agreed figure prescribed in that item; the same applies hereinafter), and the agreed figure under the transaction in which the person becomes the party that receives the money, or other figures similar to those figures;
- (ii) the transactions set forth in Article 2, paragraph (22), item (iii) or (iv) of the Act: the amount of consideration for the rights under the transaction in which the person becomes the party that grants the rights specified in item (iii) or (iv) of that paragraph, and the amount of consideration for the rights under the transaction in which the person becomes the party that acquires the rights;
- (iii) the transactions set forth in Article 2, paragraph (22), item (v) of the Act: the interest rates, etc. (meaning the interest rates, etc. prescribed in paragraph (21), item (iv) of that Article; the same applies hereinafter) of the financial instruments (excluding the financial instrument set forth in paragraph (24), item (iii) of that Article) or the interest rates, etc. of the financial instruments or the financial index at the time of the commencement of the agreed period for the transaction in which the person becomes the party that receives money when the interest rates, etc. of the financial instruments or the financial indicator rise within the agreed period, or any other figures similar thereto the financial index at the time of the commencement of the agreed period for the transaction in which the person becomes the party to pay money when the interest rates, etc. or the financial indexes of the financial instruments rise within the agreed period, and; and
- (iv) the transactions set forth in Article 2, paragraph (22), item (vi) of the Act: the terms and conditions of the transaction in which the person becomes the party that pays money and the terms and conditions of the transaction in which the person becomes the party that receives money, when an event specified in that item occurs, or other terms and conditions similar to them.

(Important Matters That Impact Customers' Judgment)

Article 76 The matters specified by Cabinet Office Order as prescribed in Article 16, paragraph (1), item (vii) of the Order are as follows:

- (i) the facts concerning important matters on the financial instruments transaction contract, which is disadvantageous to customers;
- (ii) if the financial instruments business operator, etc. is a member of a financial instruments firms association (limited to an association that has persons conducting the business related to the content of the financial

- instruments business as its principal association members or members), that fact and the name of the financial instruments firms association; and
- (iii) when placing advertisements, etc. concerning acts of financial instruments transaction for cryptoassets, the following matters:
- (a) the fact that cryptoassets are not Japanese currency or foreign currency; and
  - (b) the fact that cryptoassets may be used for the purpose of paying consideration only with the consent of the person who is to receive payment of the consideration.
- (iv) when placing advertisements, etc. concerning acts of financial instruments transaction for the leveraged index, etc. (meaning the quotations on the financial instruments market and other indexes for which calculation is made so that their daily fluctuation rate becomes the ratio obtained by multiplying the daily fluctuation rate of another index (referred to as the "original index" in sub-item (a) below and Article 83, paragraph (1), item (viii), sub-item (a)) by a certain number; the same applies in Article 78, item (xiv) and Article 83, paragraph (1), item (viii)), the following matters:
- (a) if there is a risk that there will be a difference between the fluctuation rate of the leveraged index, etc. and the ratio obtained by multiplying the fluctuation rate of the original index by a certain number, that fact and the reasons; and
  - (b) when an investment in securities related to the leveraged index, etc. does not meet the objective of medium- to long-term investments, that fact and the reasons.

(Means Equivalent to Broadcasting Using Broadcasting Facilities of Basic Broadcasters)

Article 77 (1) The methods specified by Cabinet Office Order as prescribed in Article 16, paragraph (2) of the Order are as follows:

- (i) the means of having private broadcasters broadcast using their broadcasting facilities (meaning a private broadcaster as defined in Article 2, item (xxv) of the Broadcast Act; the same applies in Article 270, paragraph (1), item (i));
- (ii) to have customers inspect the content of the information recorded in the file stored on a computer to be used by a financial instruments business operator, etc. or a person that has been entrusted with advertisement, etc. services to be conducted by the financial instruments business operator, etc. (limited to information that is the same as the information provided by the means of having a basic broadcaster broadcast using their broadcasting facilities or the means set forth in the preceding item) via a telecommunications line; or
- (iii) a means of having the public place an indoor or outdoor advertisement regularly or continuously for a fixed period, which posts or indicates it on

signboards, standing signboards, bills, notices, advertising towers, billboards, buildings or other structures, or other similar means.

- (2) The matters specified by Cabinet Office Order as prescribed in Article 16, paragraph (2), item (ii) of the Order are the matters set forth in Article 72, item (iii), (d) and item (iii) of the preceding Article.

(Matters for Which Exaggerated Advertisement is Prohibited)

Article 78 The matters specified by Cabinet Office Order as prescribed in Article 37, paragraph (2) of the Act are as follows:

- (i) the matters related to cancellation of a financial instruments transaction contract (including matters related to the provisions of Article 37-6, paragraphs (1) through (4) of the Act);
- (ii) the matters related to the sharing of all or part of the losses or the guarantee of profit, in connection with a financial instruments transaction contract;
- (iii) the matters related to agreement for liquidated damages (including penalties) concerning a financial instruments transaction contract;
- (iv) the matters related to a financial instruments market or other similar markets located in a foreign country, which concerns financial instruments transaction contracts (if conducting commodity-related business, including a commodity market (meaning the commodity market as defined in Article 2, paragraph (9) of the Commodity Derivatives Transaction Act) or a foreign commodity market (meaning the foreign commodity market as defined in paragraph (12) of that Article); the same applies in Article 271, item (iv));
- (v) the matters related to financial resources or credibility of a financial instruments business operator, etc.;
- (vi) the matters related to the performance of financial instruments business conducted by a financial instruments business operator, etc. (for a registered financial institution, the performance of registered financial institution business conducted by the registered financial institution);
- (vii) the matters related to the amount of the fees, etc. payable by customers in connection with a financial instruments transaction contract or its calculation method, and the method and timing of the payment of the fees, etc. and the payee of the fees, etc.;
- (viii) when placing an advertisement, etc. for the purchase and sale or other transactions of mortgage securities, etc. (meaning the securities set forth in Article 2, paragraph (1), item (xvi) of the Act, or the securities set forth in item (xvii) of that paragraph (limited to those which have the nature set forth in item (xvi) of that paragraph); the same applies hereinafter), the following matters:
  - (a) the matters related to the certainty or guarantee of the payment of

- principal and interests of the claims stated in the mortgage securities, etc.;
- (b) the matters related to recommendation concerning a financial instruments business operator, etc.;
- (c) the matters related to interest; and
- (d) the matters related to the collateral on which the mortgage has been created, as stated in the mortgage securities, etc.;
- (ix) when placing an advertisement, etc. of an investment advisory contract, the matters related to the content of advice and method of giving advice;
- (x) when placing an advertisement, etc. for a discretionary investment contract or a contract which provides for performing acts set forth in Article 2, paragraph (8), item (xv) of the Act, the matters related to the content of investment decisions and the method of making the investment decisions;
- (xi) when placing an advertisement, etc. for the public offering or private placement of the rights set forth in Article 7, item (iv), sub-item (d), 1., the matters related to the bloodlines of the racehorses and the status of their breeding management.
- (xii) when placing an advertisement, etc. for the acts of financial instruments transaction for electronically recorded transferable rights to be indicated on securities, etc., the following matters:
  - (a) the nature of the electronically recorded transferable rights to be indicated on securities, etc.; and
  - (b) the matters related to the mechanism for the holding and transfer of the electronically recorded transferable rights to be indicated on securities, etc.; and
- (xiii) when placing an advertisement, etc. for the acts of financial instruments transaction for cryptoassets:
  - (a) the nature of the cryptoassets;
  - (b) the matters related to the mechanism for holding or transferring cryptoassets;
  - (c) the matters related to changes in the transaction volume or the price of cryptoassets or their prospects;
  - (d) the matters related to the content of the rights and obligations indicated on cryptoassets; and
  - (e) the matters related to the financial resources or creditability of the person who issues or intends to issue the cryptoassets, the debtor related to the rights indicated on cryptoassets, or the person who can exert a material impact on the value or the mechanism of cryptoassets, or the business conducted by the person.
- (xiv) when placing an advertisement, etc. for the acts of financial instruments transaction for leveraged index, etc., the following matters:
  - (a) the nature of the leveraged index, etc. or securities relating to the

- leveraged index, etc.; and
- (b) the matters related to changes in leveraged index, etc. value or in prices of securities related to the leveraged index, etc., or their prospects.

(Matters to be Stated in a Document for Delivery Prior To Conclusion of a Contract)

Article 79 (1) The matters set forth in the items of Article 37-3, paragraph (1) of the Act must be stated clearly and accurately in the document for delivery prior to conclusion of a contract by using letters and numbers of font size larger than 8 point specified by the JIS Z8305.

(2) Notwithstanding the provisions of the preceding paragraph, the following matters are to be stated clearly and accurately inside the box in the document for delivery prior to conclusion of a contract by using letters and numbers of font size larger than 12 point specified by the JIS Z8305 after the matters required to be stated under the following paragraph:

- (i) an outline of the matters set forth in Article 37-3, paragraph (1), item (iv) of the Act, and the matters set forth in items (v) and (vi) of that Article and Article 82, items (iii) through (vi) of this Cabinet Office Order;
- (ii) if a financial instruments transaction contract is an over-the-counter derivatives transaction contact (meaning a contract set forth in Article 16-4, paragraph (1), item (i), sub-items (a) through (c) of the Order (hereinafter referred to as the "over-the-counter transactions of financial futures") or a contract set forth in that item related to the transactions set forth in sub-item (d) of that item, or a contract set forth in item (ii) of that paragraph (excluding contracts related to the transactions set forth in Article 116, paragraph (1), item (iii), sub-items (a) and (b)); the same applies hereinafter), the matters set forth in Article 94, paragraph (1), items (i) and (iv); and
- (iii) if a financial instruments transaction contract concerns a transaction related to electronic-based application type electronic public offering services, etc. (meaning the electronic-based application type electronic public offering services, etc. provided for in Article 70-2, paragraph (3); the same applies hereinafter), whether the matters specified in Article 83, paragraph (1), item (vi), sub-items (f) and (g);
- (iv) the matters set forth in Article 82, item (ix).

(3) A financial instruments business operator, etc. is to plainly state the matters set forth in Article 82, item (i) in a document for delivery prior to conclusion of a contract, the matters set forth in Article 92-2, paragraph (1), item (iii) (limited to the cases in which the financial instruments transaction contract to be concluded is related to the purchase and sale and other transactions of the business other than the business that the business subject to investment related to the equity interest subject to business subject to investment mainly

invests in the rights related to securities or derivative transactions among the equity interests subject to business in investment), and the matters that is to have an impact on customers' judgment that are particularly important among the matters set forth in the items of Article 37-3, paragraph (1) of the Act, at the beginning of the document for delivery prior to conclusion of a contract by using letters and numbers of a font larger than 12 point specified by the JIS Z8305.

(When Delivery of Documents for Delivery Prior to the Conclusion of a Contract is Unnecessary)

Article 80 (1) The matters specified by Cabinet Office Order as prescribed in the proviso to Article 37-3, paragraph (1) of the Act are as follows:

- (i) if a document that states the matters set forth in Article 37-3, paragraph (1), items (i) through (v) of the Act and Article 82, item (i), item (iii), item (v), item (xi), item (xiv), and item (xv), and Article 83, paragraph (1), item (viii) with regard to the securities listed on a financial instruments exchange market, over-the-counter traded securities (excluding the securities set forth in Article 2, paragraph (1), item (xix) of the Act and the securities designated by the Commissioner of the Financial Services Agency), securities listed on an exchange that is similar to a financial instruments exchange located in a foreign country, or securities traded in the market that is similar to the over-the-counter securities market located in a foreign country (excluding the securities designated by the Commissioner of the Financial Services Agency) (excluding the transactions that fall under derivative transactions, and margin transactions, when-issued transactions or other transactions similar to those transactions; hereinafter referred to as the "purchase and sale, etc. of listed securities, etc.") by the means equivalent to the means specified in the preceding Article (hereinafter referred to as the "document on listed securities, etc."), has been delivered by a financial instruments business operator, etc., within one year before the conclusion of the financial instruments transaction contract to the customer;
- (ii) if a document for delivery prior to conclusion of a contract related to a financial instruments transaction contract that has a similar content as the financial instruments transaction contract has been delivered to the customer within one year before the conclusion of the financial instruments transaction contract related to the purchase and sale of securities (meaning the purchase and sale of securities as defined in Article 2, paragraph (8), item (i) of the Act; the same applies hereinafter), other transactions of securities, or derivative transactions, etc.;
- (iii) if the financial instruments business operator, etc. has delivered to the customer a prospectus (limited to a prospectus that states all of the matters

- required to be stated in the document for delivery prior to conclusion of a contract by the means equivalent to the means specified in the preceding Article) (if the prospectus does not state all of those matters, including if a document stating all of the matters not stated in the prospectus has been delivered together with the prospectus as a single unit), or in the cases set forth in Article 15, paragraph (2), item (ii) of the Act;
- (iv) if the financial instruments business operator, etc. seeks to conclude a financial instruments transaction contract that provides a partial change to the financial instruments transaction contract already concluded, the following cases:
    - (a) if the change does not include a change to the matters stated in the document for delivery prior to conclusion of a contract related to the financial instruments transaction contract already concluded; or
    - (b) if the change includes a change to the matters stated in the document for delivery prior to conclusion of a contract related to the financial instruments transaction contract already concluded, when the financial instruments business operator, etc. has delivered to the customer a document stating the matters required to be change (hereinafter referred to as the "contract change document");
  - (v) if a financial instruments business operator, etc. seeks to conclude a financial instruments transaction contract related to the purchase and sale, etc. of listed securities, etc., and has provided the matters required to be stated in a document on listed securities, etc. to the customer (limited to a person who has received the delivery of a document on listed securities, etc. from the financial instruments business operator, etc. before) by using an electronic data processing system in the means of making them available for their inspection (limited to the cases that satisfy all of the following requirements and excluding the cases in which the customer has requested the delivery of a document on listed securities, etc.):
    - (a) the financial instruments business operator, etc. has provided the customer with an explanation on the fact that the matters will be provided for inspection in the means of make them available for their inspection by delivering a document or other appropriate means and that a document on listed securities, etc. is to be delivered upon request from the customer in advance;
    - (b) the financial instruments business operator, etc. has provided the customer with information necessary for receiving the provision of the matters by means of delivering a document or other appropriate means within one year before the conclusion of the financial instruments transaction contract related to the purchase and sale, etc. of listed securities, etc.;



- (c) it is ensured that the matters are to be displayed on the screen of a computer used by the customer in accordance with the means prescribed in the preceding Article in an easily visible manner; and
- (d) measures of keeping the matters in a state in which the customer may easily inspect them for a period of five years from the day when the purchase and sale, etc. of listed securities, etc. was conducted (if a complaint concerning the matters has been made within the period until its expiration date, for the period until either the expiration date or the day when the complaint was settled, whichever comes later) has been taken;
- (vi) if a financial instruments business operator, etc. seeks to conclude a financial instruments transaction contract related to purchase and sale or other transactions of securities set forth in Article 2, paragraph (1), items (i) through (iii) or item (v) of the Act (excluding corporate bond certificates with share options; hereinafter the same applies in this item), or the securities set forth in item (xvii) of that paragraph which have the nature of the securities set forth in items (i) through (iii) or item (v) of that paragraph (limited to the securities for which the due date (limited to the fixed due date; hereinafter the same applies in this item) and the redemption amount (limited to the fixed amount; hereinafter the same applies in this item) are specified and to which the condition that all or part of the redemption amount will not be redeemed on the due date is not attached, and excluding the securities designated by the Commissioner of the Financial Services Agency) (the purchase and sale or other transactions exclude those that fall under derivative transactions, and margin transactions, when-issued transactions or other transactions similar to them; the transactions are referred to as "purchase and sale, etc. of bond certificates" in sub-items (b) and (d)), and has provided the matters required to be stated in a document for delivery prior to conclusion of a contract to the customer (limited to a customer who has received the delivery of a document for delivery before conclusion of contract related to a financial instruments transaction contract with a similar content to that of the financial instruments transaction contract from the financial instruments business operator, etc. before) by using an electronic data processing system in the means of making them available for customers' inspection (limited to the cases that satisfy all of the following requirements and excluding the cases in which the customer has requested the delivery of a document for delivery before conclusion of a contract):
  - (a) the fact that the financial instruments business operator, etc. has provided the customer with an explanation to the effect that the matters is to be provided in the means of making them available for the inspection by delivering a document or by other appropriate means and that a document

- for delivery prior to conclusion of a contract is to be delivered upon a request of the customer in advance;
- (b) the fact that the financial instruments business operator, etc. has provided the customer with the necessary information for receiving the provision of those matters by the means of delivering a document or other appropriate means within one year before the conclusion of the financial instruments transaction contract related to the purchase and sale, etc. of bond certificates;
  - (c) it has been ensured that the matters are to be displayed on the screen of a computer used by the customer in accordance with the means prescribed in the preceding Article in an easily visible manner; and
  - (d) the fact that measures of keeping the matters in a state in which the customer may easily inspect them customer for a period of five years from the day when the purchase and sale, etc. of bond certificates was conducted (if a complaint related to those matters has been made within the period before the expiration date of that period, for the period until either the expiration date of that period or the day when the complaint was settled, whichever comes later) has been taken;
- (vii) if important information has been provided in a simple manner and explanations have been given to the customer on the matters set forth in Article 37-3, paragraph (1), items (iii) through (vii) of the Act (in the cases specified in item (iv), sub-item (b), limited to the matters regarding the change referred to in that item), in a manner and to the extent necessary for the customer to understand the matters in light of the customer's knowledge, experience, and status of property, and the purpose of concluding a financial instruments transaction contract (in the cases the matters required to be stated in a document for delivery prior to conclusion of a contract (if a financial instruments transaction contract concerning purchase and sale, etc. of listed securities, etc. is to be concluded, a document for delivery prior to conclusion of a contract or an explanatory document on listed securities, etc.; if it is to be specified in item (iv), sub-item (b), a document for delivery prior to conclusion of a contract or a contract change document; hereinafter the same applies in this item, paragraph (6), items (ii) and (iii)) are provided to the customer by using an electronic data processing system for making them available for customers' inspection, excluding the cases in which the customer requests delivery of the document for delivery prior to conclusion of a contract only if all of the following requirements are satisfied):
- (a) the matters required to be stated in the document for delivery prior to conclusion of a contract have been displayed on the screen of a computer used by the customer in accordance with the method prescribed in the preceding Article in an easily visible manner (excluding the cases in which

- the method of providing the matters for customers' inspection conforms to the standards set forth in Article 56, paragraph (2), item (i)); and
- (b) measures for keeping the matters in a state in which the customer may easily inspect them for a period of five years after the day when the transaction set forth in the matters required to be stated in the document for delivery prior to conclusion of a contract was conducted (if a complaint related to those matters is made before the last day of that period, until the last day of the period or the day when the complaint is resolved, whichever comes later) has been taken;
- (viii) if the financial instruments transaction contract concerns the following acts:
- (a) the sale of securities (limited to cases in which a financial instruments transaction contract for the purchase of the securities has been concluded with the financial instruments business operator, etc.);
  - (b) an intermediary or agency service of the purchase of securities (limited to cases in which the financial instruments business operator, etc. provides an intermediary or agency services for the purchase of securities related to tender offer (meaning the tender offer prescribed in Article 27-2, paragraph (6) of the Act (including as applied mutatis mutandis pursuant to Article 27-22-2, paragraph (2) of the Act); the same applies in Article 110, paragraph (1), item (ii), sub-item (g) and Article 111, item (ii)) to a tender offeror (meaning the tender offeror prescribed in Article 27-3, paragraph (2) of the Act (including as applied mutatis mutandis pursuant to Article 27-22-2, paragraph (2) of the Act); the same applies hereinafter));
  - (c) an act set forth in Article 1-12, item (i) of the Order;
  - (d) a reversing trade prescribed in Article 33-14, paragraph (3) of the Order;
  - (e) the purchase of securities under a contract for cumulative investment (meaning a contract in which a financial instruments business operator, etc. receives money on deposit from a customer and sells securities to that customer continuously on the dates designated in advance while receiving a consideration payable out of the money; hereinafter the same applies in sub-item (e) and Article 110, paragraph (1), item (i), sub-item (a)), or the sale of securities periodically conducted based on a contract for cumulative investment;
  - (f) an act of causing the securities set forth in Article 2, paragraph (1), item (x) of the Act owned by a customer, or the same issue of securities as the rights, to be acquired using the earnings generated from the rights set forth in paragraph (2), item (v) or (vi) of that Article;
  - (g) the purchase and sale (excluding the initial purchase) of the securities set forth in Article 2, paragraph (1), item (x) of the Act (limited to the beneficiary certificates for public and corporate bond investment trust

prescribed in Article 25, item (ii) of the Regulations for Enforcement of the Act on Investment Trusts and Investment Corporations (limited to those whose accounting period is one day)), or cancellation of an investment trust agreement related to the securities (meaning the investment trust agreement prescribed in Article 3 or Article 47, paragraph (1) of the Act on Investment Trusts and Investment Corporations; the same applies hereinafter) ;

(h) the underwriting of securities; or

(i) handling of a public offering or secondary distribution of securities, handling of private placement of securities, or handling of a solicitation for selling, etc. only for professional investors (only if the customer related to the financial instruments transaction contract is the issuer or owner of those securities).

(2) The provisions of Article 34-2, paragraph (4) of the Act, Article 15-22 of the Order, and Article 56 and Article 57 apply mutatis mutandis to the delivery of an explanatory document on listed securities, etc. under the provisions of item (i) of the preceding paragraph and delivery of a contract change document under the provisions of item (iv), (b) of that paragraph, and the provisions of Article 27-30-9, paragraph (1) of the Act, Article 23-2 of the Cabinet Office Order on Disclosure of Corporate Affairs (Ministry of Finance Order No. 5 of 1973), Article 18-2 of the Cabinet Office Order on the Disclosure of Information, etc. on Issuers of Foreign Government Bonds, etc. (Ministry of Finance Order No. 26 of 1972), and Article 32-2 of the Cabinet Office Order on Disclosure of Information on Regulated Securities (Ministry of Finance Order No. 22 of 1993) apply mutatis mutandis to the delivery of a document prescribed in item (iii) of the preceding paragraph under the provisions of that item.

(3) If a financial instruments transaction contract related to the purchase and sale, etc. of listed securities, etc. has been concluded within one year from the day the explanatory document on listed securities, etc. has been delivered (including the day when the explanatory document on listed securities, etc. is deemed to have been delivered pursuant to the provisions of this paragraph), the explanatory document on listed securities, etc. is deemed to have been delivered on the day of the conclusion of the contract, and the provisions of paragraph (1), item (i) apply.

(4) If a financial instruments transaction contract that has the same content as the financial instruments transaction contract related to the document for delivery prior to conclusion of a contract (excluding a contract for over-the-counter derivatives transactions) has been concluded within one year from the day the document for delivery prior to conclusion of a contract has been delivered (including the day on which a document for delivery prior to conclusion of a contract has been deemed to be delivered pursuant to the

provisions of this paragraph), the document for delivery prior to conclusion of a contract is deemed to have been delivered on the day of the conclusion of the contract, and the provisions of paragraph (1), item (ii) apply.

- (5) To apply the provisions of paragraph (1), item (iii) to a prospectus related to securities set forth in Article 2, paragraph (1), item (x) of the Act (if there is a document to be delivered together with a prospectus pursuant to the provisions of paragraph (1), item (iii), the prospectus and the document) the phrase "the document for delivery before conclusion of a contract, by the means equivalent to those specified in the preceding Article" is deemed to be replaced with "the document for delivery before conclusion of a contract".
- (6) The phrase "important information has been provided in a simple manner" as used in paragraph (1), item (vii) means to deliver a document stating the following matters in a simple manner or to provide the matters required to be stated in the document by electronic or magnetic means, and to give explanation of these matters (including replying to customers' questions based on the examples of questions referred to in item (i)):
- (i) the outline of the main matters that contribute to the judgment of customers on conclusion of a financial instrument transaction contract among the matters set forth in the items of Article 37-3, paragraph (1) of the Act (for the cases prescribed in paragraph (1), item (iv), (b), limited to the matters related to the change referred to in that item) and the examples of questions concerning the outline;
  - (ii) the fact that the necessary information in order to be provided with the matters required to be stated in the document for delivery prior to conclusion of a contract and the fact that the content of the matters to be provided should be thoroughly read; and
  - (iii) the fact that a document for delivery prior to conclusion of a contract is to be delivered at the request of a customer.

(Matters Related to the Consideration Payable by Customers)

Article 81 (1) The matters specified by Cabinet Office Order as prescribed in Article 37-3, paragraph (1), item (iv) of the Act are the amount of the consideration payable by customers in relation to a financial instruments transaction contract irrespective of their name such as fees, remunerations, expenses, for each type of consideration or their upper limit, or an outline of the method of calculation thereof (including the ratio to the price of securities, the amount of the derivatives transactions, etc. prescribed in Article 16, paragraph (1), item (iii) of the Order or the amount of investment property, related to the financial instruments transaction contract, or the ratio to the profit generated from acts of conducting financial instruments transactions; hereinafter the same applies in this paragraph), and the sum of the amount or

their upper limit, or their calculation method; provided, however, that if these matters cannot be stated, that fact and the reasons.

- (2) The provisions of Article 74, paragraphs (2) through (4) apply *mutatis mutandis* to the fees, etc. referred to in the preceding paragraph.

(Common Matters to Be Stated in All Documents to Be Delivered Prior to Conclusion of a Contract)

Article 82 The matters specified by Cabinet Office Order as prescribed in Article 37-3, paragraph (1), item (vii) of the Act are as follows:

- (i) a notice to the effect that the recipient should thoroughly read the content of the document for delivery prior to conclusion of a contract;
- (ii) the matters set forth in Article 16, paragraph (1), item (ii) of the Order;
- (iii) if an act of conducting a financial instruments transaction by a customer may incur a loss due directly to a fluctuation in money rate, currency value, quotations on the financial instruments market, or other indexes, the following matters:
  - (a) the index; and
  - (b) the reasons the loss may be incurred by a fluctuation of the indexes;
- (iv) if there is a risk that the amount of loss referred to in the preceding item may exceed the amount of the customer margin or other security deposits required to be deposited by a customer (hereinafter the risk is referred to as the "risk of loss in excess of principal" in this item), the following matters:
  - (a) the index referred to in the preceding item which will be the direct cause of the risk of loss in excess of principal; and
  - (b) the reason of risk of loss in excess of principal which may be caused by the fluctuation in the indexes set forth in (a);
- (v) if an act of conducting a financial instruments transaction by a customer has a risk of the accrual of any loss caused directly by a change to the status of the business or property of the financial instruments business operator, etc. or any other person, the following matters:
  - (a) the person; and
  - (b) the fact that a change to status of the person's business or property is likely to incur a loss, and the reasons for the loss;
- (vi) if there is a risk that the amount of loss referred to in the preceding item may exceed the amount of the customer margin or other security deposits that is required to be deposited by a customer (hereinafter referred to as the "risk of loss in excess of principal" in this item), the following matters:
  - (a) acts of the persons referred to in the preceding item that will be the direct cause of the risk of loss in excess of principal; and
  - (b) the fact that a change to the status of business or property of the person set forth in sub-item (a) may result in risk of loss in excess of principal,

- and the reasons for the loss;
- (vii) an outline of the taxation related to the financial instruments transaction contract;
- (viii) if there are any grounds for termination of the financial instruments transaction contract, their details;
- (ix) whether or not the provisions of Article 37-6 of the Act is applicable to the financial instruments transaction contract;
- (x) if the provisions of Article 37-6 of the Act is applicable to the financial instruments transaction contract, the matters related to the provisions of paragraphs (1) through (4) of that Article;
- (xi) an outline of the financial instruments business operator, etc.;
- (xii) an outline of the content and method (limited to those concerning the financial instruments transaction contract) of the financial instruments business conducted by the financial instruments business operator, etc. (for a registered financial institution, the registered financial institution business);
- (xiii) the method with which a customer contacts the financial instruments business operator, etc.; and
- (xiv) whether or not there is a financial instruments firms association the financial instruments business operator, etc. is a member of (limited to an association that has persons conducting the business concerning the financial instruments transaction contract as its principal association member or member), the name of the association and whether there is the financial instruments business operator, etc. is a member of a financial instruments firms association, the name of the association and whether there is a certified investor protection organization that the financial instruments business operator, etc. is a target business operator (limited to the certified investor protection organization if the financial instruments transaction contract is covered by the certified businesses (meaning the certified businesses prescribed in Article 79-10, paragraph (1) of the Act) of the certified investor protection organization), and if it is a target business operator, the name of the organization;
- (xv) the matters specified in the following sub-item (a) or (b) in accordance with the category of the case set forth in the sub-item (a) or (b).:
  - (a) if there is a designated dispute resolution organization (limited to the organization whose category of dispute resolution services concerns the business related to the financial instruments transaction contract; hereinafter the same applies in this item): the trade name or name of the designated dispute resolution organization that is the counterparty to a basic contract for implementation of dispute procedures related to the business specified in Article 37-7, paragraph (1), item (i), sub-item (a), item (ii), sub-item (a), item (iii), sub-item (a), item (iv), sub-item (a), or item (v),

- sub-item (a) of the Act when the financial instruments business operator, etc. takes the measures of concluding the basic contract for implementation of dispute procedures; or
- (b) if there is no designated dispute resolution organization: the content of the complaint processing measures and dispute resolution measures concerning the business specified in Article 37-7, paragraph (1), item (i), sub-item (b), item (ii), sub-item (b), item (iii), sub-item (b), item (iv), sub-item (b), or item (v), sub-item (b) of the Act of the financial instruments business operator.

(Common Matters to Be Stated in Documents to Be Delivered Prior to Conclusion of a Contract Related to Purchase and Sale and Other Transactions of Securities)

Article 83 (1) If the financial instruments transaction contract to be concluded concerns the purchase and sale or other transactions of securities, the matters specified by Cabinet Office Order as prescribed in Article 37-3, paragraph (1), item (vii) of the Act are as follows, in addition to the matters set forth in the items of the preceding Article; provided, however, that if the financial instruments transaction contract to be concluded is not a contract for the transaction related to electronic public offering services, excluding the matters set forth in items (iii) through (vi):

- (i) if restrictions are imposed on the transfer of the securities, that fact and the content of the restriction; and
- (ii) if the securities are tradable securities, the matters for which customers' attention should be called on the occasion of purchase and sale of the tradable securities;
- (iii) the trade name, name, and address of the issuer of the securities;
- (iv) if the issuer of the securities is a corporation, the name of its representative;
- (v) the content of the business plan of and the purpose of use of funds by the issuer of the securities;
- (vi) in the case of electronic-based application type electronic public offering services, the following matters:
  - (a) the subscription period;
  - (b) the target subscription amount;
  - (c) the means of handling the subscription amount concerning the acquisition of the securities when the amount falls below or exceeds the target subscription amount;
  - (d) the means of managing subscription prices concerning the acquisition of the securities;
  - (e) the outline of the measures provided for in Article 70-2, paragraph (2),



- item (iii) and the outline of the implementation results of the measures related to the securities;
- (f) the necessary matters for a customer of electronic-based application type electronic public offering services, etc. to withdraw the subscription or cancel the subscription contract concluded with the issuer after subscribing to the acquisition of the securities;
- (g) the matters concerning the occasion of purchase and sale and other matters for which the customers' attention should be called; and
- (vii) if the securities are electronically recorded transferable rights to be indicated on securities, etc., the outline of the electronically recorded transferable rights to be indicated on securities, etc. and other matters for which the customers' attention should be called for the nature of the electronically recorded transferable rights to be indicated on securities, etc.
- (viii) if the securities are securities related to leveraged index, etc., the following matters:
  - (a) if there is a risk that there will be a difference between the fluctuation rate of the leveraged index, etc. and the ratio obtained by multiplying the fluctuation rate of the original index by a certain number, that fact and the reasons;
  - (b) if an investment in securities related to the leveraged index, etc.. does not meet the objective of medium- to long-term investments, that fact and the reasons ; and
  - (c) beyond the matters set forth in sub-items (a) and (b), the outline and the characteristics of the leveraged index, etc.. and securities related to the leveraged index, etc. and other matters for which the customers' attention should be called concerning the leveraged index, etc.. and the nature of the securities related to the leveraged index, etc.
- (2) Notwithstanding the provisions of the preceding paragraph, if two or more financial instruments business operators, etc. (including a financial service intermediary) are required to deliver a document for delivery prior to conclusion of a contract (for a financial service intermediary, a document prescribed in Article 37-3, paragraph (1) of the Act as applied mutatis mutandis pursuant to Article 31, paragraph (2) of the Act on the Provision of Financial Services; hereinafter the same applies in this paragraph) to the customer for the same purchase and sale or other transactions of securities pursuant to the provisions of Article 37-3, paragraph (1) of the Act (including as applied mutatis mutandis pursuant to Article 31, paragraph (2) of the Act on the Provision of Financial Services), and one of those financial instruments business operators, etc. (including a financial service intermediary) has delivered the document for delivery prior to conclusion of a contract stating the matters set forth in the items of the preceding paragraph to the customer, the

other financial instruments business operator, etc. is not required to state the matters set forth in the items of the preceding paragraph in the document for delivery before conclusion of a contract.

- (3) Notwithstanding the provisions of paragraph (1), if the financial instruments transaction contract to be concluded concerns intermediation, brokerage, or agency services for the sale of securities, and if the customer related to the financial instruments transaction contract is an issuer or owner of those securities, the financial instruments business operator, etc. is not required to state the matters specified in the items of that paragraph in the document for delivery prior to conclusion of a contract.

(Special Provisions on Matters to Be Stated in a Document to Be Delivered Prior to Conclusion of a Contract Related to Purchase and Sale or Other Transactions of Beneficial Interest in a Trust)

Article 84 (1) If a financial instruments transaction contract to be concluded concerns the purchase and sale or other transactions of securities set forth in Article 2, paragraph (1), item (xiv) of the Act or securities set forth in item (xvii) of that paragraph (limited to those which have the nature of the securities set forth in item (xiv) of that paragraph), or the rights set forth in paragraph (2), item (i) or (ii) of that Article (hereinafter referred to as the "beneficial interest in a trust, etc."), the matters specified by Cabinet Office Order as prescribed in Article 37-3, paragraph (1), item (vii) of the Act are as follows, in addition to the matters prescribed in paragraph (1) of the preceding Article:

- (i) the matters related to the type of the trust property, term of the trust, method for the management, or disposition of the trust property, and delivery of trust property;
- (ii) the matters related to the person that has been granted the authority to manage or dispose of trust property, and content of the authority (if the person is the financial instruments business operator that has obtained the registration referred to in Article 29 of the Act for conducting investment management business for qualified investors, including that fact);
- (iii) whether or not the trust property was appraised by a third party at the time of the creation of the trust, or other matters related to the appraisal of trust property;
- (iv) the matters related to the transfer procedures of the beneficial interest in a trust, etc. prescribed by the act of trust (limited to the rights set forth in Article 2, paragraph (2), item (i) or (ii) of the Act, which are deemed to be securities pursuant to the provisions of that paragraph) as;
- (v) distinction of the type of transaction;
- (vi) for agency or intermediary services of sales, or handling of a public offering,

- private placement or secondary distribution, the matters related to the seller or the purchaser;
- (vii) the purpose of the trust;
  - (viii) the following matters related to the beneficiary's rights and obligations:
    - (a) if there are provisions providing that the trustee and the beneficiary is to enter into an agreement provided for in Article 48, paragraph (5) of the Trust Act (Act No. 108 of 2006) (including as applied mutatis mutandis pursuant to Article 54, paragraph (4) of that Act) (excluding if the trust company gives an explanation pursuant to the provisions of Article 29-3 of the Trust Business Act), that fact and the content of the agreement;
    - (b) if there are special provisions on the decision-making of beneficiaries, that fact and the content of those provisions;
    - (c) if there are special provisions on the change, consolidation, or split of the trust, that fact and the content of those provisions;
    - (d) if there are special provisions on the grounds for the termination of trust, that fact and the content of those provisions;
    - (e) if there are special provisions on the termination of trust based on an agreement, that fact and the content of those provisions; and
    - (f) if there are provisions on the resignation of a trustee and the appointment of a new trustee, that fact and the content of those provisions;
  - (ix) the following matters concerning the risk of loss of the beneficial interest in a trust, etc.:
    - (a) if there is an obligation related to the right set forth in Article 21, paragraph (1), item (iii) of the Trust Act, the matters related to the total amount of the obligation and the amount of obligation for each contract or other matters related to the content of the obligation (if the obligation is a borrowing, including the total amount of borrowing and the features of the lender, the borrowed amount, the due date, the outstanding balance for the immediately prior accounting period, the interest rates for the accounting period and borrowing period, the repayment method, the matters related to establishment of security, the purpose of the borrowing, and for each contract, and the purpose of use of the borrowing);
    - (b) beyond what is set forth in sub-item (a), if there is an obligation which may result in a loss related to the beneficial interest in a trust, that fact and the total amount of the obligation and the status of the obligation;
    - (c) if there is a trust claim, security interest established on trust property, or other rights that have priority over the beneficial interest in trust, the content of the rights;
    - (d) if credit enhancement has been made for the beneficial interest in a trust, that fact and the content of the credit enhancement; and
    - (e) if there are special provisions that promises to compensate for loss or to

- supplement profit based on the provisions of Article 6 of the Act on Engagement in Trust Business by Financial Institutions, that fact and the content of the special provisions;
- (x) the matters related to taxes and other expenses for trust property;
  - (xi) the matters related to the accounting period of trust property;
  - (xii) the matters related to report of the status of the management or disposal of trust property;
  - (xiii) the name of the trustee and the means of giving public notice;
  - (xiv) if money which is trust property is to be jointly invested with money which is the trustee's own property or money which is other trust property, that fact and the criteria for allocating profit and loss between the trust property and the trustee's own property or other trust property;
  - (xv) if the financial instruments transaction contract concerns the purchase and sale or other transactions of the beneficial interest in a trust, etc. related to the trust created by the means set forth in Article 3, item (iii) of the Trust Act, the following matters:
    - (a) the content of information stated or recorded in the notarial deed or other documents, or electronic or magnetic record referred to in Article 3, item (iii) of the Trust Act;
    - (b) whether or not the trustee has obtained the registration referred to in Article 50-2, paragraph (1) of the Trust Business Act, and whether or not the inspection referred to in paragraph (10) of that Article has been conducted;
    - (c) if the inspection referred to in Article 50-2, paragraph (10) of the Trust Business Act has been conducted, the results of the inspection; and
    - (d) if the inspection referred to in Article 50-2, paragraph (10) of the Trust Business Act has not been conducted, and, the person that conducts the purchase and sale or other transactions of the beneficial interest in a trust, etc. is a trustee of the trust, the matters set forth in the items of Article 51-7, paragraph (1) of the Regulations for Enforcement of the Trust Business Act (Cabinet Office Order No. 107 of 2004);
  - (xvi) if the financial instruments transaction contract concerns the purchase and sale or other transactions of the beneficial interest in a trust, etc. related to the limited liability trust as defined in Article 2, paragraph (12) of the Trust Act, the following matters in addition to those set forth in items (i) through (xiv):
    - (a) the name of the limited liability trust;
    - (b) the place affairs of the limited liability trust are handled; and
    - (c) the amount payable, and the fact that the benefit related to the trust property may not be paid in excess of the payable amount to the beneficiaries.

- (2) The provisions of paragraph (2) of the preceding Article apply mutatis mutandis to the purchase and sale or other transactions of the beneficial interest in a trust, etc. In such a case, the term "items of the preceding paragraph" in that paragraph is deemed to be replaced with "the items of Article 84, paragraph (1)".
- (3) The provisions of paragraph (3) of the preceding Article apply mutatis mutandis to the beneficial interest in a trust, etc. In such a case, the term "paragraph (1)" in that paragraph is deemed to be replaced with "Article 84, paragraph (1)".

(Special Provisions on Matters to Be Stated in a Document to Be Delivered Prior to Conclusion of a Contract Related to Purchase and Sale or Other Transactions of Beneficial Interest in Real Property Trust)

Article 85 (1) If a financial instruments transaction contract to be concluded concerns a purchase and sale or other transactions of beneficial interest in real property trust, the matters specified by Cabinet Office Order as prescribed in Article 37-3, paragraph (1), item (vii) of the Act are as follows, in addition to those specified in paragraph (1) of the preceding Article; provided, however, that if the trust property related to the beneficial interest in real property trust is a building lot, the matters are limited to those set forth in items (i) through (ix)-2 and item (xiii):

- (i) the type and content of the registered right existing on the trust property related to the beneficial interest in real property trust and the name of the registered right holder, or the name of the owner recorded in the heading-section of the register (for a corporation, its name);
- (ii) an outline of the matters related to restrictions on the building lots or buildings which is trust property related to the beneficial interest in real property trust based on the City Planning Act (Act No. 100 of 1968), the Building Standards Act (Act No. 201 of 1950), or other laws and regulations, which are specified in Article 3-2 of the Order for Enforcement of the Building Lots and Buildings Transaction Business Act (Cabinet Order No. 383 of 1964);
- (iii) the matters related to the liabilities of a private road in connection with the building lots or buildings which are trust property related to the beneficial interest in real property trust;
- (iv) the status of the improvement of the facilities for supplying drinking water, electricity, and gas and the drainage facilities for building lots or buildings which are trust property related to the beneficial interest in real property trust (if these facilities have not been developed, the matters related to the outlook of the improvement and and special assumption of burden for that improvement);

- (v) if the development or construction work of the building lot or building that is the trust property related to the beneficial interest in real property trust has not been completed, the matters related to the shape and structure at the time of their completion and other matters specified in Article 19-2-4 of the Regulations for Enforcement of the Building Lots and Buildings Transaction Business Act (Order of the Ministry of Construction No. 12 of 1957);
- (vi) if the building that is trust property related to the beneficial interest in real property trust is the purpose of unit ownership as defined in Article 2, paragraph (1) of the Act on Building Unit Ownership, etc. (Act No. 69 of 1962), the type and content of the rights related to site of a single building for owning the building, the provisions of a regulation in relation to the common area as defined in paragraph (4) of that Article, the other rights related to a single building or its site (if there are two or more buildings in one housing complex, and the land located within the housing complex or the rights related to the land are co-owned by the owners of those buildings, including the land), and the matters related to their management or use which are set forth in the items of Article 19-2-5 of the Regulations for Enforcement of the Building Lots and Buildings Transaction Business Act;
- (vii) if a building lot or building that is trust property related to the beneficial interest in real property trust is located within the disaster high risk area building lot designated pursuant to the provisions of Article 20, paragraph (1) of the Act on the Regulation of Housing Land Development (Act No. 191 of 1961), that fact;
- (viii) if the building lot or building that is trust property related to the beneficial interest in real property trust is located in areas at risk of sediment disasters designated pursuant to the provisions of Article 7, paragraph (1) of the Act on Advancing Sediment Disaster Countermeasures in Areas at Risk of Sediment Disasters (Act No. 57 of 2000), that fact;
- (ix) if the building lot or building that is trust property related to the beneficial interest in real property trust is located in tsunami disaster alert areas designated pursuant to the provisions of Article 53, paragraph (1) of the Act on Regional Development for Tsunami Disaster Prevention (Act No. 123 of 2011), that fact;
- (ix)-2 if the location of the building lot or building that is trust property related to the beneficial interest in a real property trust is indicated on the drawing provided by the mayor of a municipality where the building lot or building that is trust property is located, pursuant to the provisions of Article 11, item (i) of the Regulations for Enforcement of the Flood Control Act (Order of the Ministry of Construction No. 44 of 2000), the location of the building lot or building that is trust property on the drawing;

- (x) if the results of an investigation on the use of asbestos have been recorded for a building that is trust property related to the beneficial interest in real property trust, the details of the record;
- (xi) if a building that is trust property related to the beneficial interest in real property trust (excluding a building for which new construction was commenced on or after June 1, 1981) has undergone a seismic diagnosis conducted by any of the following persons based on the matters that are to serve as technical guidelines referred to in Article 4, paragraph (2), item (iii) of the Act on Promotion of Seismic Retrofitting of Buildings (Act No. 123 of 1995), from among the basic policies specified in paragraph (1) of that Article, the content of the seismic diagnosis:
  - (a) a designated confirmation and inspection body prescribed in Article 77-21, paragraph (1) of the Building Standards Act;
  - (b) an architect as defined in Article 2, paragraph (1) of the Act on Architects and Building Engineers (Act No. 202 of 1950);
  - (c) a registered housing quality evaluation agency prescribed in Article 5, paragraph (1) of the Housing Quality Assurance Act (Act No. 81 of 1999);
  - or
  - (d) a local government.
- (xii) if the building that is trust property related to the beneficial interest in real property trust is a newly constructed house that has undergone the housing quality evaluation test prescribed in Article 5, paragraph (1) of the Housing Quality Assurance Act, that fact; and
- (xiii) when a building lot or building that is trust property related to the beneficial interest in real property trust does not conform to the content of the contract in terms of type or quality for which conclusion of a guarantee insurance contract or other measures that are set forth in any of the following sub-items have been taken for the performance of the non-conformity warranty obligation, the outline of the measures:
  - (a) when the building lot or the building does not conform to the content of the contract in terms of type or quality, the conclusion of a guarantee insurance contract or a liability insurance contract for the performance of the non-conformity warranty obligation;
  - (b) when the building lot or the building does not conform to the content of the contract in terms of type or quality, the conclusion of a contract for entrusting the conclusion of a guarantee insurance or a liability insurance for the performance of the non-conformity warranty obligation; or
  - (c) when the building lot or the building does not conform to the content of the contract in terms of type or quality, the conclusion of a contract for entrusting the bank, etc. to jointly and severally guarantee the obligation of the performance of the non-conformity warranty obligation.

- (2) The provisions of Article 83, paragraph (2) apply mutatis mutandis to the purchase and sale or other transactions of the beneficial interest in real property trust. In such a case, the term "items of the preceding paragraph" in that paragraph is deemed to be replaced with "the items of Article 85, paragraph (1)".
- (3) The provisions of Article 83, paragraph (3) apply mutatis mutandis to the beneficial interest in real property trust. In such a case, the term "paragraph (1)" in that paragraph is deemed to be replaced with "Article 85, paragraph (1)".

(Special Provisions on Matters to Be Stated in a Document to Be Delivered  
Prior to Conclusion of a Contract Related to Purchase and Sale and Other  
Transactions of Mortgage Securities)

Article 86 (1) If a financial instruments transaction contract to be concluded concerns the purchase and sale or any other transaction of mortgage securities, etc., the matters specified by Cabinet Office Order as prescribed in Article 37-3, paragraph (1), item (vii) of the Act are the following matters, in addition to those prescribed in Article 83, paragraph (1):

- (i) the matters related to the unit of principal;
- (ii) the matters related to interest;
- (iii) if there are any provisions on the receipt of payment of principal and interest of the claims that are stated in the mortgage securities, etc., the content of those provisions;
- (iv) the method of delivery of the price;
- (v) the timing, means of the payment of principal and interest, or other payment methods;
- (vi) the matters set forth in the items of Article 12, paragraph (1) of the Mortgage Securities Act (Act No. 15 of 1931) which are stated in the mortgage securities, etc.;
- (vii) the following matters concerning a loan contract related to the mortgage securities, etc.:
  - (a) the date of the conclusion of a loan contract;
  - (b) the amount, interest, and purpose of the loan fund, and the method and due date for repayment;
  - (c) whether there is a guarantor or not;
  - (d) the following matters concerning the outline of the collateral related to the loan contract:
    - 1. the secured amount;
    - 2. the date of the appraisal of the collateral, its appraised value, and the trade name or name, and contact information of the appraiser; and
    - 3. the details of the collateral;
  - (e) an outline of the repayment plan of the loan fund specified in the business



- plan or any other plan related to the collateral referred to in sub-item (d); and
- (f) if the debtor is a corporation, the following matters in relation to the corporation:
1. the date of incorporation, or the date of the commencement of business;
  2. the type of the primary business;
  3. the amount of stated capital or the total amount of contribution and the balance sheet, and the profit and loss statement on the closing day of the accounts in the business year preceding the current business year that includes the date three months before the delivery date of the document for delivery prior to conclusion of a contract (if the financial instruments business operator, etc. is a foreign corporation, six months before);
- (g) if the debtor is the party concerned of the financial instruments business operator, etc. (meaning the party concerned prescribed in Article 8, paragraph (17) of the Regulation on Financial Statements), that fact; and
- (h) the method with which the customer collects the claims from the debtor;
- (viii) the amount of stated capital or the total amount of contribution of the financial instruments business operator, etc., and if they are conducting another business, the type of that business;
- (ix) the matters required to be stated in the business report specified in Article 46-3, paragraph (1), Article 47-2, or Article 48-2, paragraph (1) of the Act, which are related to the financial instruments business operator, etc.;
- (x) the fact that the principal of the mortgage securities, etc. is not guaranteed by the government; and
- (xi) the latest financial statements of the financial instruments business operator, etc., or any of the following matters concerning the financial instruments business operator, etc.:
- (a) the content of the accounting audit report referred to in the second sentence of Article 396, paragraph (1) of the Companies Act;
  - (b) if the financial instruments business operator, etc. is not a company with accounting auditors, and has been audited by a certified public accountant (including a foreign certified public accountant prescribed in Article 16-2, paragraph (5) of the Certified Public Accountants Act (Act No. 103 of 1948); the same applies hereinafter) or an audit corporation, the content of the audit report; or
  - (c) if the financial instruments business operator, etc. is not a company with accounting auditors, and has not been audited by a certified public accountant or an audit corporation, that fact and the reasons.
- (2) The provisions of Article 83, paragraph (2) apply mutatis mutandis to the purchase and sale or other transactions of mortgage securities, etc. In such a

case, the term "items of the preceding paragraph" in that paragraph is deemed to be replaced with "the items of Article 86, paragraph (1)".

- (3) The provisions of Article 83, paragraph (3) apply mutatis mutandis to mortgage securities, etc. In such a case, the term "paragraph (1)" in that paragraph is deemed to be replaced with "Article 86, paragraph (1)".

(Special Provisions on Matters to Be Stated in a Document to Be Delivered Prior to Conclusion of a Contract Related to Purchase and Sale or Other Transactions of Equity in the Business Subject to Investment)

Article 87 (1) If a financial instruments transaction contract to be concluded concerns purchase and sale or other transactions of equity in the business subject to investment (hereinafter the contract is referred to as "contract for transactions of equity in the business subject to investment" in this Article), the matters specified by Cabinet Office Order as prescribed in Article 37-3, paragraph (1), item (vii) of the Act are the following matters, in addition to those prescribed in Article 83, paragraph (1):

- (i) the following matters concerning the contract for transaction of equity in the business subject to investment:
  - (a) the name of the equity in the business subject to investment;
  - (b) the type of the equity in the business subject to investment;
  - (c) the matters concerning an application for concluding a contract for transaction of equity in the business subject to investment;
  - (d) the matters concerning the payment of money to be invested or paid;
  - (e) if the contract period for the equity in the business subject to investment has been prescribed, the contract period;
  - (f) the following matters concerning the cancellation of the equity in the business subject to investment:
    - 1. whether the equity in the business subject to investment may be canceled or not;
    - 2. the calculation method, the payment method, and the scheduled payment date of the money concerns the distribution of the property related to the equity in the business subject to investment, which is made upon cancellation; and
    - 3. the cancellation fee;
  - (g) if there are provisions for agreement on liquidated damages (including penalties), the content of the provisions;
  - (h) the following matters concerning the scope of rights and liabilities of customers:
    - 1. whether the customer has a right to monitor the property related to the business subject to investment, and if they have that right, the content of the right;

2. ownership relationship of the property related to the business subject to investment;
  3. the scope of the customer's liabilities owed to third parties;
  4. the matters concerning the allocation of losses to be borne by the customer, if the property related to the business subject to investment decreases due to loss; and
  5. the details of the equity in business subject to investment;
- (ii) the following matters concerning the operation of the business subject to investment:
- (a) the content and the operational policy of the business subject to investment;
  - (b) the matters concerning the organizational structure, internal rules, and decision-making process for the business subject to investment, or other matters concerning the operational system for the business subject to investment;
  - (c) the trade name, name, and duty of the issuer of the equity in business subject to investment, and the content of related business;
  - (d) the trade name, name, and duty of the person operating the business subject to investment (if the relevant person is a financial instruments business operator that has obtained the registration referred to in Article 29 of the Act for conducting investment management business for qualified investors, including that fact), and the content of related business;
  - (e) if the business subject to investment is a business that invests in securities, the trade name, name, and duty of the following persons (if the person listed in 2. is a financial instruments business operator has obtained the registration referred to in Article 29 of the Act for conducting investment management business for qualified investors, including that fact), and the content of related business:
    1. the issuers of the securities (the ratio of securities to the total amount of investment is ranked in descending order and limited to those ranked the first to the thirtieth) (if the issuer (limited to the issuer of the investment trust beneficial interests, etc. prescribed in Article 74, paragraph (2)) makes an investment in other securities, those other securities are deemed to be those securities);
    2. the person that is entrusted with the investment or the custody of money or other properties from the issuer of the equity in the business subject to investment or a person set forth in clause 1. (another person that is re-entrusted with the investment by the relevant person re-entrusts is deemed to be the person that is entrusted by the issuer of the equity in the business subject to investment or the person specified in clause 1.);
  - (f) the policy for paying the dividend of profits generating from the business

- subject to investment or for the distribution of property related to the business subject to investment (hereinafter referred to as the "dividends, etc.");
- (g) the business year, the accounting period, or any other similar period;
  - (h) the method for collecting fees, etc. related to the business subject to investment and the matters concerning taxation; and
  - (i) the management method provided for in Article 40-3 of the Act.
- (iii) the following matters concerning accounting of the business subject to investment;
- (a) the balance sheet;
  - (b) the profit and loss statement;
  - (c) the total amount of the equity in the business subject to investment;
  - (d) the total number of issued equity interests in the business subject to investment;
  - (e) the following matters concerning dividends, etc.:
    - 1. the total amount of dividends, etc.;
    - 2. the payment method of dividends, etc.;
    - 3. if the distribution of property related to the business subject to investment is to be made before the last day of the contract period set forth in item (i), sub-item (e), the payment method of the money for the distribution; and
    - 4. the taxation method and the tax rate of the dividends, etc.;
  - (f) the amount of total assets, the net assets, the amount of operating profit or loss, the amount of current profit or loss, and the amount of net profit or loss;
  - (g) the amount of total net assets, the amount of net profit or loss, and the amount of dividends, etc. per unit of equity interest in the business subject to investment;
  - (h) the capital-to-asset ratio and the return on equity;
  - (i) if the business subject to investment is a business that invests in securities, the following matters concerning those securities:
    - 1. the issues of the securities for each place of issuance or regions in which the financial instruments exchange or others similar entities are located, if the securities are share certificate, the type of business of their issuer, their volume, their amount (meaning the total book value and the total market value or the total appraisal value; hereinafter the same applies in this item), and if the securities are bonds, the interest rate and the amount of redemption;
    - 2. the method of the appraisal of the amounts referred to in 1.; and
    - 3. the ratio of the amounts specified in 1. to the total amount of assets related to the business subject to investment;

- (j) if the business subject to investment is a business that invests in an asset other than securities, the following matters concerning the asset:
  - 1. the volume and amount of asset, for each type of asset;
  - 2. the method of appraisal of the amounts referred to in 1.;
  - 3. the ratio of each of the amounts referred to in 1. to the total amount of assets related to the business subject to investment; and
- (iv) when conducting the act set forth in Article 129, paragraph (1), item (iii) or (iv), that fact.
- (2) The provisions of Article 83, paragraph (2) apply *mutatis mutandis* to the purchase and sale or other transactions of equity in the business subject to investment. In such a case, the term "items of the preceding paragraph" in that paragraph is deemed to be replaced with "the items of Article 87, paragraph (1)".
- (3) The provisions of Article 83, paragraph (3) apply *mutatis mutandis* to the equity in the business subject to investment. In such a case, the term "paragraph (1)" in that paragraph is deemed to be replaced with "the items of Article 87, paragraph (1)".

(Special Provisions on Matters to Be Stated in a Document to Be Delivered Prior to Conclusion of a Contract Related to Purchase and Sale or Other Transactions of Equity in the Foreign Business Subject to Investment)

Article 88 (1) If a financial instruments transaction contract to be concluded concerns the purchase and sale or other transactions of the right set forth in Article 2, paragraph (2), item (vi) of the Act (hereinafter referred to as the "equity in the foreign business subject to investment"), the matters specified by Cabinet Office Order as prescribed in Article 37-3, paragraph (1), item (vii) of the Act are the following matters, in addition to those prescribed in paragraph (1) of the preceding Article:

- (i) the name of the laws governing the contract related to the equity in the foreign business subject to investment or other juridical acts, and their main content;
- (ii) whether there is authority of the foreign country that supervises the issuer of equity in the foreign business subject to investment, and if the authority exists, the name of the authority and the main content of the supervision;
- (iii) the handling of remittance of the dividends, etc., sales proceeds, and other payments, in terms of exchange control;
- (iv) whether there is a person that has a domicile in Japan who has the authority to act as an agent of the issuer of the equity in the foreign business subject to investment for acts in or out of court, and if there is such a person, the name and address of the person and the content of the authority; and
- (v) if the contract related to the equity in the foreign business subject to

investment or other juridical acts provides for the court that has jurisdiction over an action related to the equity in the foreign business subject to investment, the name and location of the court and the procedure for enforcement.

- (2) The provisions of Article 83, paragraph (2) apply mutatis mutandis to the purchase and sale or other transactions of equity in the foreign business subject to investment. In such a case, the term "items of the preceding paragraph" in that paragraph is deemed to be replaced with "the items of Article 88, paragraph (1)".
- (3) The provisions of Article 83, paragraph (3) apply mutatis mutandis to equity in the foreign business subject to investment. In such a case, the term "paragraph (1)" in that paragraph is deemed to be replaced with "Article 88, paragraph (1)".

(Special Provisions on Matters to Be Stated in a Document to Be Delivered Prior to Conclusion of a Contract Related to Purchase and Sale or Other Transactions of Equity in the Business Subject to Investment Whose Business Subject to Investment Business is the Business That Mainly Invests in Beneficial Interest in Trust)

Article 89 (1) If a financial instruments transaction contract to be concluded concerns a purchase and sale or other transactions of the business that the business subject to investment related to the equity in the business subject to investment mainly invests in beneficial interest in trust, etc. among the equity interests in the business subject to investment, the matters specified by Cabinet Office Order as prescribed in Article 37-3, paragraph (1), item (vii) of the Act are the matters set forth in the items of Article 84, paragraph (1), in addition to those prescribed in Article 87, paragraph (1) (if the financial instruments transaction contract concerns the purchase and sale or other transactions of equity in the foreign business subject to investment, the matters prescribed in paragraph (1) of the preceding Article).

- (2) The beneficial interest in trust, etc. referred to in the preceding paragraph is to include the beneficial interest in trust, etc., if the business subject to investment referred to in that paragraph is a business that invests in equity in the business subject to investment and the business subject to investment related to the equity in the business subject to investment (referred to as the "secondary business subject to investment" in the following paragraph and paragraph (4)) is a business that invests in beneficial interest in trust, etc.
- (3) If the secondary business subject to investment referred to in the preceding paragraph is a business that invests in equity in the business subject to investment and the business subject to investment related to the equity in the business subject to investment is a business that invests in beneficial interest

in trust, etc., the business subject to investment is deemed to be the secondary business subject to investment, and the provisions of the preceding two paragraphs apply.

- (4) The provisions of the preceding paragraph apply mutatis mutandis when the business subject to investment that is deemed to be the secondary business subject to investment pursuant to the provisions of that paragraph (including as applied mutatis mutandis pursuant to this paragraph) is a business that invests in equity in the business subject to investment, and the business subject to investment related to the equity in the business subject to investment is a business that invests in the beneficial interest in trust, etc.
- (5) The provisions of Article 83, paragraph (2) apply mutatis mutandis to purchase and sale or other transactions of equity in the business subject to investment when the business subject to investment related to the equity in the business subject to investment is a business that mainly invests in beneficial interest in trust, etc. In such a case, the terms "items of the preceding paragraph", "in that paragraph", and "items of that paragraph" in that paragraph are deemed to be replaced with "the items of Article 84, paragraph (1)", "in Article 89, paragraph (1)", and "the items of Article 84, paragraph (1)", respectively.
- (6) The provisions of Article 83, paragraph (3) apply mutatis mutandis to equity in the business subject to investment when business subject to investment related to the equity in business subject to investment is a business that mainly invests in beneficial interest in trust, etc. In such a case, the term "paragraph (1)" in that paragraph is deemed to be replaced with "Article 89, paragraph (1)".

(Special Provisions on Matters to Be Stated in a Document to Be Delivered Prior to Conclusion of a Contract Related to Purchase and Sale or Other Transactions of a Right Based on Partnership Contracts, When Business Subject to Investment Related to the Right is a Business That Mainly Invests in Beneficial Interest in Real Property Trust)

Article 90 (1) If a financial instruments transaction contract to be concluded concerns purchase and sale or other transactions of the rights based on a partnership contract, a silent partnership contract, or a limited partnership agreement for investment, in which business subject to investment related to the right is a business that mainly invests in beneficial interest in real property trust, the matters specified by Cabinet Office Order as prescribed in Article 37-3, paragraph (1), item (vii) of the Act are the matters set forth in the items of Article 85, paragraph (1) in addition to the matters prescribed in paragraph (1) of the preceding Article.

- (2) The beneficial interest in real property trust referred to in the preceding paragraph is to include the beneficial interest in real property trust, when

business subject to investment referred to in that paragraph is a business that invests in an equity in the business subject to investment, and business subject to investment related to the equity in the business subject to investment (referred to as "the secondary business subject to investment" in the following paragraph and paragraph (4)) is a business that invests in the beneficial interest in real property trust.

- (3) When the secondary business subject to investment referred to in the preceding paragraph is a business that invests in equity in the business subject to investment, and the business subject to investment related to the equity in the business subject to investment is a business that invests in beneficial interest in real property trust, the business subject to investment is deemed to be the secondary business subject to investment, and the provisions of the preceding two paragraphs apply.
- (4) The provisions of the preceding paragraph apply *mutatis mutandis* when the business subject to investment that is deemed to be the secondary business subject to investment pursuant to the provisions of that paragraph (including as applied *mutatis mutandis* pursuant to this paragraph) is a business that invests in equity in the business subject to investment, and business subject to investment related to the equity in the business subject to investment is a business that invests in the beneficial interest in real property trust.
- (5) The provisions of Article 83, paragraph (2) apply *mutatis mutandis* to purchase and sale or other transactions of the rights based on a partnership contract, a silent partnership contract, or a limited partnership agreement for investment when business subject to investment related to the rights is business that mainly invests in the beneficial interest in real property trust. In such a case, the terms "the items of the preceding paragraph", "in that paragraph" and "the items of that paragraph" in that paragraph are deemed to be replaced with "the items of Article 85, paragraph (1)", "in Article 90, paragraph (1)", and "items of Article 85, paragraph (1)", respectively.
- (6) The provisions of Article 83, paragraph (3) apply *mutatis mutandis* to the rights based on a partnership contract, a silent partnership contract, or a limited partnership agreement for investment when business subject to investment related to the rights is business that mainly invests in beneficial interest in real property trust. In such a case, the term "paragraph (1)" in that paragraph is deemed to be replaced with "Article 90, paragraph (1)".

(Special Provisions on Matters to Be Stated in a Document to Be Delivered Prior to Conclusion of a Contract Related to Commodity Fund-Related Transactions)

Article 91 (1) Notwithstanding the provisions of Article 84, paragraph (1), Article 87, paragraph (1), Article 88, paragraph (1) and Article 89, paragraph



(1), if a financial instruments transaction contract to be concluded concerns purchase and sale or other transactions of a beneficial interest in commodity fund (hereinafter referred to as "commodity fund-related transactions"), the matters specified by Cabinet Office Order as prescribed in Article 37-3, paragraph (1), item (vii) of the Act are the following matters in addition to those prescribed in Article 83, paragraph (1):

- (i) the trade name, name and address of the persons that make an investment (hereinafter referred to as an "investment manager" in this paragraph) of the commodity fund (meaning money or other property invested or paid by persons who hold a beneficial interest in commodity fund; hereinafter the same applies in this Article and Article 109, item (v)) and the persons that have a close business relationship with the commodity fund (hereinafter referred to as "related business operators" in this paragraph), who are the major business operators and set forth in following sub-items, and the name of the representative if the person has a representative:
  - (a) a commodity trading advisor involved in investment in commodity funds (meaning a commodity trading advisor as defined in Article 2, paragraph (4) of the Act on Regulation of Commodity Investment (Act No. 66 of 1991); hereinafter the same applies in this Article) and a person that has been granted the same type of permission as a commodity investment advisory business permission referred to in Article 3 of that Act or any other equivalent disposition (referred to as a "permission, etc." in item (xiii)) in a foreign country pursuant to foreign laws and regulations corresponding to that Act;
  - (b) a person that receives investment or contribution from the commodity fund (excluding an investment manager); and
  - (c) a person that is entrusted the investment of the commodity fund by an investment manager and the person set forth in (b);
- (ii) the amount of stated capital or the total amount of contribution of the financial instruments business operator, etc. and the investment manager, and the trade name or name of the major shareholder (meaning a person holding ten percent or more of the voting rights held by all the shareholders, etc. under their own name or the name of another person; the same applies in Article 95, paragraph (1), item (i) and Article 153, paragraph (1), item (iv), sub-item (d), 6., i.) and if the financial instruments business operator, etc. or the investment manager is conducting another business, the type of that business;
- (iii) the balance sheet and profit and loss statement for the previous business year of the business year in which the day when the investment manager commenced the investment of their properties belongs, or any alternative document;

- (iv) the names of the officers and important employees of investment managers who are investing in commodity funds (meaning a person responsible for investment in commodity funds, such as general manager, deputy general manager, manager, or any other person irrespective of the title), and if an officer is engaged in the day-to-day operations of or manages business for another corporation, the name of that officer, the trade name or name of the other corporation, and the type of the operations or the business;
- (v) the following matters related to the type of the financial instruments transaction contract and the scope of the customer's rights and responsibilities:
  - (a) the type of the financial instruments transaction contract;
  - (b) whether the customer has a right to monitor the property invested or contributed by the customer or trust property related to the beneficial interest in commodity fund, and if the customer has the monitoring right, the content of the right;
  - (c) ownership relationship of the property invested or contributed by a customer, or the trust property related to the beneficial interest in commodity fund;
  - (d) the scope of a customer's responsibility to third parties;
  - (e) the matters concerning the share of loss of a customer, if the property invested or contributed or the trust property related to the beneficial interest in commodity fund decreases due to a loss; and
  - (f) the right to receive profit and redemption concerning the property invested or contributed by the customer or the trust property related to the beneficial interest in commodity fund;
- (vi) an outline of laws and regulations applicable to the financial instruments transaction contract or a trust agreement related to the beneficial interest in commodity fund;
- (vii) the following matters concerning the type of the investment in the property invested or contributed by a customer or the trust property related to the beneficial interest in commodity fund:
  - (a) distinction of whether it is a capital-protected investment or aggressive investment;
  - (b) if it is a capital-protected investment, the means of protecting the principal and the amount of principal that may be protected;
  - (c) if it is an aggressive investment, the scope of expected loss; and
  - (d) whether additional offering is to be made or not.
- (viii) the following matters concerning the content and policy of the investment of the property invested or contributed by a customer or the trust property related to the beneficial interest in commodity fund:
  - (a) if the scheduled ratio by region, scheduled ratio by type, or other

- scheduled ratio by classification has been made clear, the ratio and other matters on the content and the criteria of the main target for investment;
- (b) if there are provisions on restriction of investment in laws and regulations or other rules, the content and the grounds for the restriction;
  - (c) whether borrowing, concentrated investment, investment in other commodity funds, or investment in the subject of investment lacking liquidity is to be made, and if any restriction on investment is to be imposed, the content and the grounds for the restriction;
  - (d) whether an advanced redemption may be made;
  - (e) the scheduled date for the commencement of investment;
  - (f) the scheduled date for the termination of investment; and
  - (g) the accounting period for investment of commodity fund, which is set within one year (hereinafter referred to as "accounting period");
- (ix) the factors expected to give rise to losses by the transaction set forth in Article 2, paragraph (1), item (i) of the Act on Regulation of Commodity Investment (hereinafter referred to as "commodity futures" in this Article and Article 109, item (iv)) due to its speculativeness, efficiency of fund management, liquidity, credibility of commodity derivatives business operators as defined in Article 2, paragraph (23) of the Commodity Derivatives Transaction Act, the method of investment taken by commodity trading advisors, and by investing in other commodity funds through commodity futures transactions;
- (x) the method, frequency, and timing of reporting the status of the investment to customers; and
- (xi) if a contract set forth in Article 2, paragraph (5), item (iii) of the Act on Regulation of Commodity Investment is to be concluded, the content of the right to request a report to be granted to the customer under that contract;
- (xii) the following matters concerning investment managers:
- (a) the purpose of the business stated in its articles of incorporation;
  - (b) the history of incorporation;
  - (c) change to the trade name;
  - (d) whether a change of officer of an investment manager requires the approval of the supervisory government agency or shareholders, etc., and if the approval is required, the grounds for the approval and the procedures for obtaining the approval;
  - (e) change to the articles of incorporation, a merger, and business transfer and acquisition;
  - (f) the status of the major investment or contribution; and
  - (g) important matters such as lawsuits;
- (xiii) the following matters concerning related business operators who are major business operators:

- (a) if the related business operator is to receive investment or contribution from commodity funds, the amount of stated capital or the total amount of investment;
- (b) if a corporation that will newly become a related business operator by receiving investment or contribution from commodity funds is to be incorporated, the planned amount of the investment or contribution;
- (c) for a commodity trading advisor and a person that has been granted the same type of permission, etc. as the permission referred to in Article 3 of the Act on Regulation of Commodity Investment in a foreign country under a foreign law and regulation corresponding to that Act, the number of the permission, etc., the name of the agency that has granted the permission, etc., the name of the country to which the agency belongs and the year of the establishment of the agency, and the year the permission, etc. was granted; and
- (d) the content of the business related to the investment in commodity funds;
- (xiv) the capital relationship with investment managers and related business operators who are major business operators;
- (xv) the following matters concerning a public offering, private placement, or secondary distribution of beneficial interest in commodity fund:
  - (a) the name of the beneficial interest in commodity fund;
  - (b) the total planned amount and the total planned number of units of the public offering, private placement, or secondary distribution;
  - (c) the unit of the public offering, private placement, or secondary distribution;
  - (d) the period, method, and place of handling of the application; and
  - (e) the payment date and the payment method.
- (xvi) the matters concerning the contract period related to the beneficial interest in commodity fund;
- (xvii) the procedures for the change, the means for disclosing the change, and other matters concerning the change to the financial instruments transaction contract;
- (xviii) the following matters concerning cancellation of the financial instruments transaction contract:
  - (a) whether the financial instruments transaction contract may be canceled or not;
  - (b) if the financial instruments transaction contract may be canceled, the following matters:
    1. the conditions for and method of cancellation;
    2. the application period for cancellation;
    3. the calculation method of the redemption money upon cancellation and its payment method;

4. the scheduled payment date of the redemption money upon cancellation;
  5. the cancellation fee; and
  6. if the contracts are canceled frequently, the fact that it may not be possible to make the investment as initially scheduled and make the investment itself.
- (xix) whether the financial instruments business operator, etc. conducts a purchase, and if they conduct a purchase, its conditions and method, and the calculation method of the purchase price related to the purchase, the payment method, and the timing of the payment;
  - (xx) if there is an agreement for liquidated damages (including penalties), the content of the agreement;
  - (xxi) the method with which the financial instruments business operator, etc. collects fees, etc. from customers;
  - (xxii) the payee, calculation method, payment amount, payment method, and timing of the payment, of the fees, etc. related to the management of the commodity fund payable from commodity funds, and if the payment amount has not been determined, that fact;
  - (xxiii) the following matters concerning asset assessment, etc. related to commodity funds:
    - (a) the calculation method of the net asset per unit, and the assessment method of the assets;
    - (b) the accounting period; and
    - (c) the means of notifying the customers;
  - (xxiv) whether an audit by a certified public accountant or an audit corporation of the balance sheet and profit and loss statement, an alternative document or other documents on financial calculation of commodity funds related to an accounting period is scheduled to be made, and if the audit is scheduled, the scope of the matters to be audited;
  - (xxv) the method and policy for distributing the profit for commodity funds;
  - (xxvi) the calculation method, the payment method, and the timing of the amount of redemption money payable upon maturity;
  - (xxvii) the matters concerning taxation on the dividend and the redemption money;
  - (xxviii) if the investment manager is a foreign corporation, whether it has a person that has a domicile in Japan who has been granted the authority to represent the investment manager for acts in or out of court, and if there is such a person, the trade name, name, and address of that person, and the content of the authority;
  - (xxix) if the contract related to the beneficial interest in commodity fund or other juridical acts provides for the court that has jurisdiction over the action related to the beneficial interest in commodity fund, the name and

- location of that court; and
- (xxx) if a financial instruments transaction contract related to commodity fund-related transactions intended for making additional investment in commodity funds for which additional investment of principal may be made is to be concluded, or if its agency or intermediary services are to be provided (hereinafter referred to as "conclusion, etc." in this item), the following matters:
- (a) the status of the distribution of assets related to the commodity fund on the last day of the month two months before the day of the commencement of solicitation for the conclusion, etc., for each of the following matters:
    - 1. commodity derivatives transaction (including a breakdown for each major goods related to precious metals, agricultural products, energy resources, and for other major goods related to the commodity derivatives transactions);
    - 2. the commodities investment as defined in Article 2, paragraph (1), item (ii) of the Act on Regulation of Commodity Investment (including a breakdown for each major goods related to precious metals, agricultural products, energy resources, and for other major goods related to the commodity investment);
    - 3. the commodities investment as defined in Article 2, paragraph (1), item (iii) of the Act on Regulation of Commodity Investment (including a breakdown for each major goods related to precious metals, agricultural products, energy resources and for other major goods related to the commodity investment);
    - 4. investment by acquisition (including production), transfer, use of the goods set forth in Article 37, paragraph (1), item (ii), sub-items (a) through (e) of the Order or by having those goods used (including a breakdown of each goods related to the investment set forth in sub-items (a) through (e) of that item);
    - 5. other investment methods (including a breakdown for each major investment method of investment in securities, negotiable deposits, and other major financial instruments, for a transaction set forth in the items of Article 2, paragraph (21) of the Act, a transaction set forth in the items of paragraph (22) of that Article, a transaction prescribed in paragraph (23) of that Article, and other major investment methods);
  - (b) the amount of net assets and the dividends on the last day of each of the latest ten accounting periods that ended on the last day of the month two months before the month the day of the commencement of the solicitation belongs;
  - (c) the amount, the amount of cancellation money, and the amount of

- redemption for public offering, private placement, secondary distribution, or solicitation for selling, etc. only for professional investors, for each of the latest ten accounting periods that ended on the last day of the month two months before the month the day of commencement of the solicitation belongs;
- (d) the balance sheet and the profit and loss statement of the commodity fund related to the accounting period before the accounting period which the day of the commencement of the solicitation belongs, or other alternative documents;
  - (e) if there is a person that has received investment or contribution from the commodity fund referred to in sub-item (d), the consolidated balance sheet and the consolidated profit and loss statement related to the commodity fund and the person, or other alternative documents, which are stated in a way that a customer can understand the amount of net assets of the commodity fund or the person; and
  - (f) if the document set forth in sub-item (d) or (e) or other documents on the financial calculation has been audited by a certified public accountant or an audit corporation, the scope of the audit (excluding when a document related to the audit by a certified public accountant or an audit corporation is attached to the document for delivery prior to conclusion of a contract and the scope of the audit is clearly indicated in the document).
- (2) The provisions of Article 83, paragraph (2) apply mutatis mutandis to a commodity fund-related transaction. In such a case, the term "items of the preceding paragraph" in that paragraph is deemed to be replaced with "the items of Article 91, paragraph (1)".
- (3) The provisions of Article 83, paragraph (3) apply mutatis mutandis to the beneficial interest in commodity fund. In such a case, the term "paragraph (1)" in that paragraph is deemed to be replaced with "Article 91, paragraph (1)".
- (4) The term the "beneficial interest in commodity fund" as used in paragraph (1) and the preceding paragraph means the following matters:
- (i) the rights required to be indicated on the securities set forth in Article 2, paragraph (1), item (xiv) of the Act or on those set forth in item (xvii) of that paragraph (limited to those which have the nature of the securities set forth in item (xiv) of that paragraph) or the rights set forth in paragraph (2), item (i) or (ii) of that Article, which are rights to receive distribution of profits and refund of principal of trust for the purpose of mainly investing in trust property related to the rights through the following acts:
    - (a) the commodities investment as defined in Article 2, paragraph (1) of the Act on Regulation of Commodity Investment; and
    - (b) to acquire (including production), transfer, use, or having a person use any of the goods set forth in Article 37, paragraph (1), item (ii), sub-items

- (a) through (e) of the Order;
- (ii) the rights set forth in Article 2, paragraph (2), item (v) or (vi) of the Act when the business subject to investment related to those rights is an investment in the rights specified in the preceding item; and
- (iii) the rights set forth in Article 2, paragraph (2), item (v) or (vi) of the Act when the business subject to investment related to those rights is mainly business that conducts the act set forth in item (i), sub-item (a) or (b).

(Special Provisions on Matters to Be Stated in a Document to Be Delivered Prior to Conclusion of a Contract on Transactions Related to Business Related to Investment in Racehorses)

- Article 92 (1) If a financial instruments transaction contract to be concluded concerns transactions for business related to investment in racehorses, the matters specified by Cabinet Office Order as prescribed in Article 37-3, paragraph (1), item (vii) of the Act are the matters related to the bloodlines of racehorses and the status of their breeding management, in addition to the matters specified in paragraph (1) of the preceding Article.
- (2) The provisions of Article 83, paragraph (2) apply mutatis mutandis to transactions for business related to investment in racehorses. In such a case, the terms "the matters set forth in the items of the preceding paragraph", "that paragraph", and "the matters set forth in the items of that paragraph" in that paragraph are deemed to be replaced with "the matters related to the bloodlines of the racehorses and the status of their breeding management", "Article 92, paragraph (1)", and "the matters", respectively.
- (3) The provisions of Article 83, paragraph (3) apply mutatis mutandis to the right set forth in Article 7, item (iv), sub-item (d), 1. or 2. In such a case, the term "paragraph (1)" in that paragraph is deemed to be replaced with "Article 92, paragraph (1)".

(Special Provisions on Matters to Be Stated in Documents to Be Delivered Prior to Conclusion of a Contract Related to Purchase and Sale or Other Transactions of Business-Type Equity in the Business Subject to Investment)

- Article 92-2 (1) The matters specified by Cabinet Office Order as prescribed in Article 37-3, paragraph (1), item (vii) of the Act when the financial instruments transaction contract to be concluded concerns purchase and sale and other transactions of the right, of which the business subject to investment related to equity in the business subject to investment is business other than the business that invests mainly in the rights related to securities or derivative transactions from among equity in the business subject to investment (hereinafter referred to as "business-type equity in the business subject to investment" in this Article) are the following matters in addition to the matters



prescribed in Article 87, paragraph (1) (if the financial instruments transaction contract is related to the purchase and sale or other transactions of equity in the foreign business subject to investment, the matters specified in Article 88, paragraph (1); if the financial instruments transaction contract is related to the purchase and sale or other transactions of the rights set forth in Article 91, paragraph (4), item (iii), the matters specified in paragraph (1) of that Article; and if the financial instruments transaction contract concerns transactions for business related to investment in racehorses, the matters specified in paragraph (1) of the preceding Article):

(i) the matters specified in the following sub-items (a) through (c) in accordance with the category of money management methods set forth in those sub-items (a) through (c) related to business-type equity in the business subject to investment:

(a) the method set forth in Article 125, item (ii), (a): the following matters:

1. the trade name or name of the depository;
2. the name and location of the business office or office related to deposit;
3. the name of the depositor; and
4. the account number of the depositor and other necessary matters to identify the deposit;

(b) the method set forth in Article 125, item (ii), sub-item (b): the following matters:

1. the trade name or name of the bank, etc. (meaning a bank, cooperative financial institution, the Shoko Chukin Bank Limited, or a person that engages in the operations listed in Article 10, paragraph (1), item (i) of the Banking Act in a foreign state) in which there is a bank or postal savings account;
2. the name and location of the business office or office related to a bank or postal savings account;
3. the bank or postal savings account name; and
4. the bank or postal savings account number and other necessary matters to identify the bank or postal savings account;

(c) the method set forth in Article 125, item (ii), sub-item (c): the following matters:

1. the trade name or name of the trustee of a money trust;
2. the name and location of the business office or office related to a money trust;
3. the name of the money trust; and
4. the account number of a money trust and other necessary matters to identify a money trust;

(d) the method set forth in Article 125, item (ii), sub-item (d): the following matters:

1. the trade name or name of the person entrusted with management;
  2. the name and location of the business office or office related to the entrustment of management;
  3. the name of the person entrusted with management; and
  4. the account number of the person entrusted with management and other matters necessary to identify the entrustment of management;
- (ii) the implementation status of the management specified in Article 40-3 of the Act and the method with which the financial instruments business operator, etc. checked the implementation status;
- (iii) the characteristics of the contract related to purchase and sale and other transactions of business-type equity in the business subject to investment and the fact that investment should be made after understanding the characteristics;
- (iv) the following matters concerning the flow of funds related to the business subject to investment:
- (a) the specific content of the use of money and other property that is invested or paid by a person that has business-type equity in the business subject to investment, and the policy on the distribution of the money and other property for each use; and
  - (b) the trade name or name and role of the person that transfers or sends, or manages or stores money or other properties invested or paid by the person that has business-type equity in the business subject to investment; and
- (v) whether an external audit of money and other properties invested or paid by the person that has business-type equity in the business subject to investment, and when receiving an external audit, the name of the person that performs the external audit.
- (2) The provisions of Article 83, paragraph (2) apply mutatis mutandis to purchase and sale and other transactions of business-type equity in the business subject to investment. In such a case, the term "the items of the preceding paragraph" in that paragraph is deemed to be replaced with "the items of Article 92-2, paragraph (1)".
- (3) The provisions of Article 83, paragraph (3) apply mutatis mutandis to the business-type equity of business subject to investment. In such a case, the term "paragraph (1)" in that paragraph is deemed to be replaced with "Article 92-2, paragraph (1)".

(Common Matters to Be Stated in All Documents for Delivery Prior to Conclusion of a Contract Related to Derivative Transactions)

Article 93 (1) If a financial instruments transaction contract to be concluded concerns derivative transactions, etc., the matters specified by Cabinet Office Order as prescribed in Article 37-3, paragraph (1), item (vii) of the Act are the

matters set forth in the following items, in addition to those set forth in the items of Article 82:

- (i) the matters prescribed in Article 16, paragraph (1), items (iii) and (vi) of the Order;
  - (ii) the method of performance of the obligations arising from the derivative transactions, etc., and the method of settlement of those derivative transactions, etc.;
  - (iii) if the derivative transactions, etc., are market transactions of derivatives, etc. or foreign market derivatives transactions, etc., the trade name or name of the person that establishes a financial instruments exchange market or a foreign financial instruments market related to those transactions;
  - (iv) the type and calculation method of customer margin required to be deposited by customers in connection with the derivative transactions, etc. or other security deposits; the type of property that may be appropriated to the customer margin or other security deposits, and the amount to be appropriated or other equivalent property; and the method taken by customers to deposit the customer margin or other security deposits, and to refund them.
  - (v) the method of collecting fees, etc. from customers;
  - (vi) the matters concerning the procedures related to derivative transactions or to receive their entrustment, etc. (meaning to receive entrustment, etc. prescribed in Article 44-2, paragraph (1), item (i) of the Act; the same applies hereinafter); and
  - (vii) the key terms concerning derivative transactions and other basic matters.
- (2) The provisions of Article 83, paragraph (2) apply mutatis mutandis to derivative transactions, etc. In such a case, the term "the items of the preceding paragraph" in that paragraph is deemed to be replaced with "the items of Article 93, paragraph (1)".

(Special Provisions on Matters to Be Stated in a Document to Be Delivered Prior to Conclusion of a Contract Related to Over-the-Counter Derivatives Transaction Contracts)

Article 94 (1) If a financial instruments transaction contract to be concluded concerns the contract of over-the-counter derivatives transactions, the matters specified by Cabinet Office Order as prescribed in Article 37-3, paragraph (1), item (vii) of the Act are the following matters, in addition to those prescribed in the preceding Article:

- (i) if the financial instruments business operator, etc., for the purpose of reducing a loss which may accrue from conducting over-the-counter derivatives transactions (excluding transactions set forth in Article 116, paragraph (1), item (iii), sub-items (a) and (b); hereinafter the same applies

in this paragraph, Article 117, paragraph (1), item (xxvi), and Article 123, paragraph (1), items (xx) and (xxi)) with a customer, in market derivatives transactions or foreign market derivatives transactions, or over-the-counter derivatives transactions or other transactions conducted with another financial instruments business operator, etc. or other persons (hereinafter referred to as "other business operators, etc." in this item and the following item, and Article 117, paragraph (1), item (xxviii)-2, (b)) as the counterparty, in conducting a transaction for which the financial instruments or financial indexes subject to transactions, or whether it is a purchase or sale transaction or other equivalent matters are the same with over-the-counter derivatives transactions conducted by the customer (hereinafter referred to as "cover deal"), the trade name or name of a financial instruments exchange market related to the cover deal or the trade name or name of the person that operates the foreign financial instruments market indicated in the language used in the country or region where the foreign financial instruments market is established, and that trade name or name indicated by using a Japanese translation, or the trade name or name and the business content of the other business operators, etc. that are the counterparties to over-the-counter derivatives transactions or other transactions (hereinafter referred to as "counterparties to cover deals"); and if such a person is a foreign corporation, the name of the competent authority supervising the corporation;

- (ii) the trade name, name, and content of business, of another business operator, etc. that is the counterparty to the intermediation, brokerage, or agency services, when the financial instruments business operator, etc. conducts intermediation, brokerage, or agency services for over-the-counter derivatives transactions to be conducted by a customer (hereinafter referred to as the "counterparty to intermediary services, etc." in this item and Article 143, paragraph (1), item (ii), (d)); and when the counterparty to intermediary services, etc. is a foreign corporation, the name of the competent authority that is supervising the counterparty;
  - (iii) the matters concerning prohibited acts related to the contract for over-the-counter derivatives transactions; and
  - (iv) the method of managing the property based on the provisions of Article 43-2, paragraph (1) or (2), or Article 43-3 of the Act, and the depository.
- (2) The provisions of Article 83, paragraph (2) apply mutatis mutandis to contracts for over-the-counter derivatives transactions. In such a case, the term "the items of the preceding paragraph" in that paragraph is deemed to be replaced with "the items of Article 94, paragraph (1)".

(Matters to Be Stated in a Document to Be Delivered Prior to Conclusion of a

Contract for Investment Advisory Contracts)

Article 95 (1) If a financial instruments transaction contract to be concluded is an investment advisory contract or a contract which provides for performing an act set forth in Article 2, paragraph (8), item (xiii) of the Act (limited to the act related to an investment advisory contract), the matters specified by Cabinet Office Order as prescribed in Article 37-3, paragraph (1), item (vii) of the Act are as follows, in addition to the matters set forth in the items of Article 82:

- (i) if the financial instruments business operator, etc. is a corporation, the amount of the stated capital or the total amount of contributions, and the trade names or names of their officers and major shareholders;
- (ii) the name of a person that conducts analysis of the values, etc. of financial instruments for the purpose of making them available for advisory services for customers based on investment advisory contracts, or a person that makes investment decisions based on the analysis (referred to as "analysts, etc." in Article 106, paragraph (1), item (vi));
- (iii) the content of the advice and the method of giving advice;
- (iv) the name of a person that performs advisory services for customers based on investment advisory contracts;
- (v) if the provisions of Article 37-6 of the Act is applicable to the financial instruments transaction contract, the fact that the customer may cancel the financial instruments transaction contract in writing, in the period that commences from the day when the financial instruments transaction contract is concluded or when the customer received the document provided for in Article 37-4, paragraph (1) of the Act to be prepared in the cases set forth in Article 98, paragraph (1), item (i) or (ii) (hereinafter referred to as "document for delivery upon conclusion of a contract") until ten days have passed (if the matters required to be stated in the document for delivery upon conclusion of a contract has been provided by electronic or magnetic means in lieu of receiving that document, the day specified in the following sub-items in accordance with the category of the cases set forth in each of those sub-items),:
  - (a) if the matters have been provided by the means set forth in Article 56, paragraph (1), item (i): the day when the matters required to be stated in the document for delivery upon conclusion of a contract are recorded in the file stored on a computer used by a customer; or
  - (b) if the matters have been provided by the means set forth in Article 56, paragraph (1), item (ii): the day when the file referred to in that item is received;
- (vi) the fact that the cancellation of the financial instruments transaction contract under the provisions of Article 37-6, paragraph (1) of the Act becomes effective when the document stating the fact that the financial

- instruments transaction contract is to be canceled is issued;
- (vii) the fact that a financial instruments business operator, etc. may not conduct the acts set forth in Article 2, paragraph (8), items (i) through (iv) of the Act with a customer as the counterparty or for the customer, in relation to investment advisory business they conduct;
  - (viii) the fact that a financial instruments business operator, etc. may not receive deposit of money or securities from a customer, or have a person that has a close relationship with the financial instruments business operator, etc. deposit a customer's money or securities, for any reason in connection with investment advisory business they conduct; and
  - (ix) the fact that a financial instruments business operator, etc. may not lend money or securities to customers, or provide intermediation, brokerage, or agency services for lending of money or securities by a third party to customers in connection with investment advisory business they conduct.
- (2) The provisions set forth in the following items do not apply to the cases provided for in each of those items:
- (i) the provisions of item (vii) of the preceding paragraph: when a financial instruments business operator, etc. is any of the following persons:
    - (a) a person engaged in type I financial instruments business (excluding a type-I small amount electronic public offering service provider);
    - (b) a person engaged in type II financial instruments business (excluding a type-II small amount electronic public offering service provider);
    - (c) a registered financial institution;
    - (d) a financial instruments intermediary service provider; or
    - (e) a financial service intermediary;
  - (ii) the provisions of item (viii) of the preceding paragraph: when a financial instruments business operator, etc. is any of the following persons:
    - (a) a person engaged in securities, etc. management business; or
    - (b) a registered financial institution (limited to a financial institution engaged in a trust business, or a financial institution that receives bank savings, postal savings, or installment savings, etc. as defined in Article 2, paragraph (4) of the Banking Act);
  - (iii) the provisions of item (ix) of the preceding paragraph: when a financial instruments business operator, etc. is any of the following persons:
    - (a) a person engaged in type I financial instruments business;
    - (b) a financial instruments intermediary service provider;
    - (c) a registered financial institution (limited to a financial institution engaged in a trust business); or
    - (d) a financial service intermediary.
- (3) The provisions of Article 83, paragraph (2) apply mutatis mutandis to investment advisory contracts. In such a case, the term "the items of the

preceding paragraph" in that paragraph is deemed to be replaced with "the items of Article 95, paragraph (1)".

(Matters to Be Stated in a Document for Delivery Prior to Conclusion of a Contract Related to Discretionary Investment Contracts)

Article 96 (1) If a financial instruments transaction contract to be concluded is a discretionary investment contract or a contract which provides for performing an act set forth in Article 2, paragraph (8), item (xiii) of the Act (limited to acts related to a discretionary investment contract; the same applies in item (vi)), the matters specified by Cabinet Office Order as prescribed in Article 37-3, paragraph (1), item (vii) of the Act are the following matters, in addition to the matters set forth in the items of Article 82:

- (i) basic policy for investment;
- (ii) the means of investment related to the customer's assets to be made for the customer based on a discretionary investment contract, and the type of transactions;
- (iii) the name of a person that makes an investment decision for customers based on a discretionary investment contract, or a person that makes the investment decision and then makes an investment based on the investment decision;
- (iv) the matters concerning the scope of investment decision left to the discretion of the person and the execution of investment (when entrusting the person specified in Article 42-3, paragraph (1) of the Act all or part of the authority to make an investment for the right holder, including the trade name or name (if the person is a financial instruments business operator that obtained a registration referred to in Article 29 of the Act for conducting investment management business for qualified investors, including that fact) and the outline of the entrustment (including if a part of the authority concerning the entrustment is to further entrusted));
- (v) if a person that manages investment for the right holder based on a discretionary investment contract is a financial instruments business operator that has obtained the registration referred to in Article 29 of the Act for conducting investment management business for qualified investors, including that fact; and
- (vi) whether an external audit related to the business concerning finance of the financial instruments business operator, etc. (if a financial instruments transaction contract to be concluded is a contract which provides for performing an act set forth in Article 2, paragraph (8), item (xiii) of the Act, the financial instruments business operator, etc. that is to be a counterparty to the discretionary investment contract related to the act) or a discretionary investment contract, and if the business operator has undergone the external

audit, the name of the person that conducted the external audit, the subject of the external audit, and the outline of its results.

- (2) If a financial instruments transaction contract to be concluded is a discretionary investment contract, the matters specified by Cabinet Office Order as prescribed in Article 37-3, paragraph (1), item (vii) of the Act when the policy is to set the subject securities of specific issue as the subject of investment based on the discretionary investment contract after concluding the discretionary investment contract are the following matters, in addition to the matters prescribed in the preceding paragraph:
- (i) the name of the subject securities, the calculation method of the value of the subject securities, and the matters related to the frequency, and the calculation method of reporting the value to the person that holds the right pertaining to the subject securities;
  - (ii) the trade name or name, address, or location of the issuer of the subject securities, a person that conducts important business related to the investment of assets invested or paid by the person that holds the right pertaining to the subject securities (hereinafter referred to as "fund assets" in this item and item (iv)), a person that conducts important business related to custody of fund assets, and a person that conducts important business related to the matters set forth in the preceding item other than business related to investment and custody of fund assets (limited to the matters related to the calculation method of the value specified in that item or the method of reporting the value) (referred to as "persons related to the fund") and the matters concerning the role sharing among those persons;
  - (iii) the capital relationship and personnel relationship between the financial instruments business operator, etc. and the persons related to the fund; and
  - (iv) whether or not there is an external audit related to fund assets and if the external audit is conducted, the name of the person that conducts the external audit.
- (3) The provisions of Article 83, paragraph (2) apply mutatis mutandis to a discretionary investment contract. In such a case, the term "the items of the preceding paragraph" in that paragraph is deemed to be replaced with "the items of Article 96, paragraph (1) and (2)", the term "of that paragraph" is deemed to be replaced with "those", and the term "the items of that paragraph" is deemed to be replaced with "the items of paragraphs (1) and (2) of that Article", respectively.
- (4) The "subject securities" as used in paragraph (2) mean the following securities (excluding those falling under the cases in which disclosure prescribed in Article 4, paragraph (7) of the Act has been made for those securities):
- (i) the securities set forth in Article 2, paragraph (1), item (x) or (xi) of the Act;



- (ii) the securities set forth in Article 2, paragraph (1), item (xiv) of the Act, which are similar to beneficiary certificates of investment trust;
- (iii) the securities set forth in Article 2, paragraph (1), item (xvii) of the Act, which have the nature of securities listed in the preceding item;
- (iv) the securities set forth in Article 2, paragraph (1), item (xx) of the Act, which indicate the rights related to securities set forth in the preceding three items;
- (v) the rights required to be indicated on the securities set forth in the preceding items, which are deemed to be securities pursuant to the provisions of Article 2, paragraph (2) of the Act; and
- (vi) the rights set forth in Article 2, paragraph (2), item (v) or (vi) of the Act, which are deemed to be securities pursuant to the provisions of that paragraph.

(Cases Not Requiring Notification of Document for Delivery Prior to Conclusion of a Contract)

Article 97 The cases specified by Cabinet Office Order as prescribed in the proviso to Article 37-3, paragraph (3) of the Act are those in which a notification referred to in Article 4, paragraph (1) or (2) of the Act has been filed in connection with the solicitation for concluding a financial instruments transaction contract prescribed in that paragraph (limited to cases in which the written notification states all of the matters required to be stated in a document for delivery prior to conclusion of a contract).

(Occasions in Which Delivery of Documents Is Made)

Article 98 (1) The occasions specified by Cabinet Office Order as prescribed in Article 37-4, paragraph (1) of the Act are as follows:

- (i) when all or part of an investment trust agreement related to securities set forth in Article 2, paragraph (1), item (x) of the Act or a trust agreement related to foreign investment trust as defined in Article 2, paragraph (24) of the Act on Investment Trusts and Investment Corporations has been canceled (excluding those that fall under formation of a financial instruments transaction contract prescribed in Article 37-4, paragraph (1));
- (ii) if an investment equity (meaning the investment equity as defined in Article 2, paragraph (14) of the Act on Investment Trusts and Investment Corporations; the same applies in Article 123, paragraph (1), item (ix)) has been refunded; and
- (iii) if a financial instruments transaction contract related to purchase and sale or other transactions of securities or a financial instruments transaction contract related to derivative transactions, etc. (excluding brokerage for clearing of securities, etc.) has been concluded, or if securities, commodities

(including instruments or certificates issued for deposited commodities), or money has been delivered, the following cases:

- (a) if a customer has requested that a report on outstanding balance of transactions (meaning the document to be prepared and delivered if it is set forth in this item pursuant to the provisions of Article 37-4, paragraph (1) of the Act; the same applies hereinafter) be delivered for each occasion the financial instruments transaction contract has been concluded or the delivery has been made;
  - (b) in the case referred to in the following clauses, on each final day of the reporting period the day when the financial instruments transaction contract has been concluded or the delivery has been made belongs (the term "reporting period" means the period in which one year has been divided into periods of three months or shorter (if a financial instruments transaction contract has not been concluded, or the delivery has not been made, for one year from the day the latest report on outstanding balance of transactions was prepared, and there is outstanding money or securities, one year or the period in which one year has been divided into a period shorter than one year); the same applies hereinafter):
    - 1. if a customer is other than the customer that has made the request referred to in sub-item (a); or
    - 2. if the entry of the matters set forth in Article 108, paragraph (1), items (v) and (vi) is to be omitted pursuant to the provisions of paragraph (5) of that paragraph;
  - (iv) if a financial instruments transaction contract related to commodity fund-related transactions has been concluded.
- (2) In the case referred to in item (iv) of the preceding paragraph, a financial instruments business operator, etc. must prepare and deliver a written report explaining the status of the investment of the commodity fund without delay on or after the final day of the accounting period for the investment of commodity fund related to the commodity fund-related transactions referred to in that item.

(Common Matters to Be Stated in Documents to Be Delivered Prior to Conclusion of a Contract)

Article 99 (1) The following matters must be stated in a document for delivery upon conclusion of a contract:

- (i) the trade name or name of the financial instruments business operator, etc.;
- (ii) the name of the business office or office of the financial instruments business operator, etc.;
- (iii) an outline of the financial instruments transaction contract, the cancellation referred to in item (i), paragraph (1) of the preceding Article, or

- the refund referred to in item (ii) of that paragraph (excluding those specified in the following Article through Article 107);
- (iv) the date when the financial instruments transaction contract has been concluded, when the cancellation referred to in paragraph (1), item (i) of the preceding Article has been made, or the refund referred to in item (ii) of that paragraph has been made;
  - (v) the matters concerning the fees, etc. for the financial instruments transaction contract, the cancellation referred to in item (i), paragraph (1) of the preceding Article, or the refund referred to in item (ii) of that paragraph;
  - (vi) the name of the customer; and
  - (vii) the method with which the customer contacts the financial instruments business operator, etc.
- (2) If a financial instruments transaction contract related to a market derivatives transaction for which give-up action was conducted has been concluded, a financial instruments business operator, etc. (meaning an action in which sale or purchase of a market derivatives transaction conducted by a member, etc. as provided by a financial instruments exchange (if the market derivatives transaction is a transaction set forth in any of the following items, the transaction specified in each of those items; hereinafter the same applies in this paragraph) is to be extinguished toward the future, and at the same time, sale or purchase of a market derivatives transaction that has the same content as the purchase and sale of a market derivatives transaction extinguished is newly conducted under the name of another member, etc.; the same applies hereinafter), is to state the fees, etc. that are directly received by an order executing member, etc. (meaning the member, etc. for whom sales or purchases of the market derivatives transactions were extinguished toward the future under their name due to a give-up action being conducted; the same applies hereinafter) and the clearance executing member, etc. (meaning the member, etc. for whom sales or purchases of the market derivatives transactions were newly conducted due to a give-up action being conducted; the same applies hereinafter) from the customer as the fees, etc. referred to in item (v) of the preceding paragraph:
- (i) a transaction set forth in Article 2, paragraph (21), item (ii) of the Act (including a foreign market derivatives transaction similar to the transaction): a transaction in which the customer becomes a party to pay money or a party to receive money if the actual figure exceeds the agreed figure;
  - (ii) a transaction set forth in Article 2, paragraph (21), item (iii) of the Act (including a foreign market derivatives transaction similar to the transaction): a transaction in which the customer becomes a party to grant options or a party to acquire options;

- (iii) a transaction set forth in Article 2, paragraph (21), item (iv) of the Act (including a foreign market derivatives transaction similar to the transaction): a transaction in which the person becomes a party to pay money or a party to receive money when the interest rate, etc. or financial index of the financial instrument which was agreed between the customer and the counterparty increases in the agreed period;
- (iv) a transaction set forth in Article 2, paragraph (21), item (iv) of the Act: a transaction in which the person becomes a party to pay money a party to receive money when a financial index for the instrument agreed between the customer and the counterparty rises in the agreed period; and
- (v) a transaction set forth in Article 2, paragraph (21), item (v) of the Act (including a foreign market derivatives transaction similar to the transaction): a transaction in which the customer becomes a party to pay money or a party to receive money when grounds agreed by the parties in advance (meaning grounds set forth in that item) occur.

(Common Matters to Be Stated in Documents for Delivery Upon Conclusion of a Contract Related to Purchase and Sale or Other Transactions of Securities or Derivative Transactions)

Article 100 (1) Beyond the matters set forth in the items of paragraph (1) of the preceding Article, the following matters must be stated in the document for delivery upon conclusion of a contract to be prepared when a financial instruments transaction contract related to purchase and sale or other transactions of securities (excluding mortgage securities, etc.; hereinafter the same applies in this Article and the following Article) or a derivative transaction, etc. is concluded or in the cases set forth in Article 98, paragraph (1), item (i) or (ii) (if purchase and sale and other transactions of securities concerns an action set forth in Article 2, paragraph (8), item (vii) of the Act or Article 1-12, item (i) of the Order, or in cases set forth in Article 98, paragraph (1), item (i) or (ii), excluding the matters set forth in item (i)):

- (i) distinction of whether the financial instruments business operator, etc. themselves is conducting the transaction or a transaction entrusted by a customer, and if it is an entrusted transaction (limited to entrustment related to over-the-counter derivatives transaction, etc.), the trade name or name and address or location of the counterparty; and
- (ii) distinction of whether the type of transaction is a sale, etc. (meaning a sale or transfer for value, or a cancellation or refunding; the same applies in Article 108, paragraph (1), item (ii), (c)) or a purchase, etc. (meaning a purchase or acquisition for value; the same applies in sub-item (c) of that item) (for transactions set forth in the following sub-items (a) through (e), distinction of the type of transaction specified in each of those sub-items):

- (a) a transaction set forth in Article 2, paragraph (21), item (ii) of the Act (including a foreign market derivatives transaction similar to the transaction) and a transaction set forth in paragraph (22), item (ii) of that Article: a transaction in which the customer becomes a party to pay money or a party to receive money when the actual figure exceeds the agreed figure;
  - (b) a transaction set forth in Article 2, paragraph (21), item (iii) of the Act (including a foreign market derivatives transaction similar to the transaction) and a transaction set forth in paragraph (22), items (iii) and (iv) of that Article: whether it is a transaction in which the customer becomes a party to grant the options, or a party to acquire the options;
  - (c) a transaction set forth in Article 2, paragraph (21), item (iv) of the Act (including a foreign market derivatives transaction similar to the transaction) and a transaction set forth in paragraph (22), item (v) of that Article: whether it is a transaction in which the customer becomes a party to pay money, or a party to receive money, when the interest rate, etc. of the financial instruments or the financial index agreed between the customer and the counterparty rises in the agreed period; and
  - (d) a transaction set forth in Article 2, paragraph (21), item (iv)-2 of the Act: a transaction in which a party becomes a party to pay money or a party to receive money when the financial index concerning instruments agreed between the customer and the counterparty rises in the agreed period;
  - (e) a transaction set forth in Article 2, paragraph (21), item (v) of the Act (including a foreign market derivatives transaction similar to the transaction) and a transaction set forth in paragraph (22), item (vi) of that Article: whether it is a transaction in which the customer becomes a party to pay money, or a party to receive money, when an event agreed by the parties in advance (meaning events set forth in any of Article 2, paragraph (21), item (v) and paragraph (22), item (vi) of the Act) occurs;
  - (iii) the issue (including financial instruments, financial indexes which are the subject of transactions or other transactions equivalent to them);
  - (iv) the agreed volume (if there is no volume, number of transactions or the matter equivalent to volume);
  - (v) the amount or figure per transaction unit, such as unit price, amount of consideration, or agreed figure;
  - (vi) the amount of money to be paid by customers and its calculation method;
  - (vii) the type of transaction; and
  - (viii) beyond what is set forth in the preceding items, the matters necessary for accurately indicating the content of the transaction.
- (2) Notwithstanding the provisions of the preceding paragraph, if two or more financial instruments business operators, etc. (including financial service

intermediaries) are required to deliver a document for delivery upon conclusion of a contract to the customer (for a financial service intermediary, the document prescribed in Article 37-4, paragraph (1) of the Act as applied mutatis mutandis pursuant to Article 31, paragraph (2) of the Act on the Provision of Financial Services; hereinafter the same applies in this paragraph) in regard to purchase and sale or other transactions of a security, or derivative transactions, etc., pursuant to the provisions of Article 37-4, paragraph (1) of the Act (including as applied mutatis mutandis pursuant to Article 31, paragraph (2) of the Act on the Provision of Financial Services), and one of those financial instruments business operators, etc. (including a financial service intermediary) has delivered to the customer the document for delivery upon conclusion of a contract stating the matters set forth in the items of the preceding paragraph, the other financial instruments business operator, etc. is not required to state in their document for delivery upon conclusion of a contract the matters set forth in the items of the preceding paragraph.

- (3) Notwithstanding the provisions of paragraph (1), if the financial instruments transaction contract which has been concluded concerns a pre-auction trading of government bonds (meaning a when-issued transaction of government bonds (meaning a transaction conducted from the time when the government discloses the scheduled auction date, scheduled issuance amount, scheduled issue date, and scheduled redemption date of the government bonds (hereinafter referred to as "time of disclosure of scheduled auction date, etc. of government bond" in this paragraph) until the day before the issue date of the government bond, a purchase and sale transaction subject to conditions precedent related to the government bond with the condition precedent of issuance on the issue date, and for which the delivery settlement under that contract is to be made on or after the issue date; the same applies in Article 108, paragraph (1), item (vi) and Article 164, paragraph (1), item (i)) to be conducted from the time of disclosure of scheduled auction date, etc. of government bond until the time of disclosure of the issue number and coupon rate of the government bond; the same applies hereinafter), the document for delivery upon conclusion of a contract related to the financial instruments transaction contract may state the fact that the transaction is a pre-auction trading of government bonds, the scheduled redemption date, and the contracted yield (if the government bonds are floating rate government bonds, spread on the base rates determined by the government), in lieu of the matters set forth in paragraph (1), item (iii), item (v), and item (vi); provided, however, that a document stating those matters must be delivered before the issue date.

(Special Provisions on Matters to Be Stated in a Document to Be Delivered  
Upon Conclusion of a Contract Related to Purchase and Sale or Other

Transactions of Securities or Securities-Related Derivatives Transactions)

Article 101 (1) Beyond the matters specified in paragraph (1) of the preceding Article, the following matters must be stated in a document for delivery upon conclusion of a contract to be prepared when a financial instruments transaction contract related to the purchase and sale or other transactions of securities or securities-related derivatives transactions, etc. is concluded:

- (i) if a financial instruments transaction contract concerns purchase and sale of securities (excluding a transaction that falls under securities-related derivatives transaction, etc.; hereinafter the same applies in this Article), the following matters:
  - (a) distinction of whether the transaction is a cash transaction or a margin transaction; and
  - (b) if the financial instruments transaction contract concerns a margin transaction, the due date for payment, and distinction of whether it is a new transaction or a settlement transaction;
- (ii) if a financial instruments transaction contract concerns a transaction set forth in Article 28, paragraph (8), item (iii), sub-item (a) of the Act, or to a transaction conducted on a foreign financial instruments market which is similar to the transaction set forth in sub-item (a) of that item, the following matters:
  - (a) distinction of whether it is a new transaction or a settlement transaction; and
  - (b) if the financial instruments transaction contract concerns a calendar spread transaction specified in the regulations of a person that establishes a financial instruments exchange or a foreign financial instruments market, that fact;
- (iii) if a financial instruments transaction contract concerns a transaction set forth in Article 28, paragraph (8), item (iii), sub-item (b) or (c) of the Act, or to a transaction conducted on a foreign financial instruments market which is similar to the transaction set forth in sub-item (b) or (c) of that item, distinction of whether it is a new transaction or a settlement transaction;
- (iv) if a financial instruments transaction contract concerns a transaction set forth in Article 28, paragraph (8), item (iv), sub-item (a) of the Act, the following matters:
  - (a) distinction of whether it is a new transaction or a settlement transaction;
  - (b) a fixed time in the future at which the parties promise to deliver or receive securities and their consideration; and
  - (c) if the transaction is to be settled by means of delivery or receipt of the difference, the calculation method of the difference;
- (v) if a financial instruments transaction contract concerns a transaction set forth in Article 28, paragraph (8), item (iv), sub-item (b) of the Act, the

- following matters:
- (a) the date of the calculation of the amount of money to be delivered or received;
  - (b) the calculation method of the amount of money to be delivered or received;
  - (c) the date when the money is to be delivered or received;
  - (d) beyond what is set forth in sub-items (a) through (c), the matters equivalent to those matters that are necessary for accurately indicating the content of the transaction;
- (vi) if a financial instruments transaction contract concerns a transaction set forth in Article 28, paragraph (8), item (iv), sub-item (c) or (d) of the Act, the matters specified in the following sub-items in accordance with the category of the transactions closed by exercise of the options set forth in each of those sub-items:
- (a) a purchase and sale of securities: the matters set forth in item (i), sub-item (a) and (b);
  - (b) a transaction set forth in Article 28, paragraph (8), item (iv), sub-item (a) of the Act: the matters set forth in item (iv), sub-items (a) through (c);
  - (c) a transaction set forth in Article 28, paragraph (8), item (iv), sub-item (b) of the Act: the matters set forth in sub-items (a) through (d) of the preceding item;
  - (d) a transaction set forth in Article 28, paragraph (8), item (iv), sub-item (e) of the Act: the matters set forth in sub-items (a) through (g) of the following item; and
  - (e) a transaction other than that set forth in sub-items (a) through (d): the necessary matters for accurately indicating the content of the transaction;
- (vii) if a financial instruments transaction contract concerns a transaction set forth in Article 28, paragraph (8), item (iv), sub-item (e) of the Act, the following matters:
- (a) the amount fixed as the principal;
  - (b) the securities index or the securities issue related to the calculation of the amount of money to be paid by a customer;
  - (c) the method of the amount of money to be paid by a customer;
  - (d) the interest rate, securities indicator, type of currency or securities issues related to the calculation of the amount of money to be received by a customer;
  - (e) the calculation method of the amount of money to be received by a customer;
  - (f) the period referred to in Article 28, paragraph (8), item (iv), sub-item (e) of the Act; and
  - (g) in addition to the matters set forth in sub-items (a) through (f), the



necessary matters for accurately indicating the content of the transaction which are equivalent to those matters.

- (2) The provisions of paragraph (2) of the preceding Article apply mutatis mutandis to a purchase and sale or other transactions of securities or securities-related derivatives transactions, etc. In such a case, the term "the items of the preceding paragraph" in that paragraph is deemed to be replaced with "the items of Article 101, paragraph (1)".
- (3) Notwithstanding the provisions of paragraph (1), in the case prescribed in Article 99, paragraph (2), the matters specified in paragraph (1), item (ii), sub-item (a), item (iii), and item (iv), sub-item (a) need not be stated.

(Special Provisions on Matters to Be Stated in a Document to Be Delivered Upon Conclusion of a Contract Related to Derivative Transactions)

Article 102 (1) In a document for delivery upon conclusion of a contract to be prepared when a financial instruments transaction contract related to derivative transactions, etc. (excluding securities-related derivatives transactions, etc. (excluding those related to the contract for over-the-counter derivatives transactions) and transactions related to brokerage for clearing of securities, etc.; the same applies in following paragraph) is concluded, the following matters must be stated in addition to the matters prescribed in Article 100, paragraph (1) (if the financial instruments transaction contract concerns securities-related derivatives transactions, etc. (limited to a contract for over-the-counter derivatives transactions), the matters prescribed in paragraph (1) of the preceding Article):

- (i) the type and amount of the customer margin and other security deposits related to the derivative transaction closed (if a contract for a customer margin or other security deposits related to derivative transactions has not been concluded for each individual derivative transactions, that fact and the calculation method of the security deposit);
- (ii) the counterparty with which the customer margin or other security deposits related to the derivative transactions closed is required to be deposited;
- (iii) the trade name or name of the person that establishes a financial instruments exchange market or a foreign financial instruments market related to the derivative transactions, etc. closed (excluding over-the-counter derivatives transactions);
- (iv) the deadline of the derivative transactions closed, and if the derivative transactions closed has been conducted for settling an existing derivative transaction before its deadline, that fact and the matters set forth in Article 100, paragraph (1), item (v) concerning the existing derivative transaction;
- (v) the trade name or name of the depository for separate management;
- (vi) if a financial instruments transaction contract concerns a transaction set

forth in Article 2, paragraph (21), item (v) or, paragraph (22), item (vi) of the Act, the following matters:

- (a) the grounds specified in advance by the parties;
  - (b) the calculation method of the amount of money to be received or paid by customers if grounds specified in advance by the parties occurs;
  - (c) financial instruments, rights related to financial instruments, or a monetary claim (excluding claims that are financial instruments or are the rights related to financial instruments) which the parties have promised to transfer between them if grounds specified in advance by the parties occurs; and
  - (d) the transaction period.
- (2) The provisions of Article 100, paragraph (2) apply mutatis mutandis to derivative transactions, etc. In such a case, the term "the items of the preceding paragraph" in that paragraph is deemed to be replaced with "the items of Article 102, paragraph (1)".

(Special Provisions on Matters to Be Stated in a Document to Be Delivered Upon Conclusion of a Contract Related to Purchase and Sale or Other Transactions of Mortgage Securities)

Article 103 (1) The following matters must be stated in a document for delivery upon conclusion of a contract to be prepared when a financial instruments transaction contract related to purchase and sale or other transactions of mortgage securities, etc. is closed in addition to the matters set forth in the items of Article 99, paragraph (1):

- (i) if there are provisions on the receipt of the payment of the principal and interest of the claim stated in the mortgage securities, etc., the content of the provisions;
- (ii) the matters set forth in the items of Article 12, paragraph (1) of the Mortgage Securities Act;
- (iii) the matters concerning principal and interest;
- (iv) the payment date of principal and interest;
- (v) if there are any provisions on the calculation of interests, the content of the provisions;
- (vi) the matters stated in the contract document of a loan contract related to the mortgage securities;
- (vii) the matters stated in a real property appraisal report;
- (viii) a repayment plan of loan funds specified in a business plan or other plans related to the collateral;
- (ix) if the debtor is a corporation, the following matters concerning the corporation:
  - (a) the year and month when the corporation was incorporated or has

- commenced business;
  - (b) the type of the main business; and
  - (c) the balance sheet and profit and loss statement for the business year immediately preceding the business year that includes the day three months (if the financial instruments business operator, etc. is a foreign corporation, six months) before the day when the document for delivery upon conclusion of a contract was delivered; and
  - (x) the method by which customers collect claims from debtors.
- (2) The provisions of Article 100, paragraph (2) apply mutatis mutandis to purchase and sale or other transactions of mortgage securities, etc. In such a case, the term "the items of the preceding paragraph" in that paragraph is deemed to be replaced with "the items of Article 103, paragraph (1)".

(Special Provisions on Matters to Be Stated in a Document to Be Delivered Upon Conclusion of a Contract Related to Commodity Fund-Related Transactions)

- Article 104 (1) The following matters must be stated in a document for delivery upon conclusion of a contract to be prepared when a financial instruments transaction contract related to commodity fund-related transactions is closed in addition to the matters prescribed in Article 100, paragraph (1):
- (i) the matters set forth in Article 37-3, paragraph (1), items (v) and (vi) of the Act;
  - (ii) the matters set forth in Article 83, paragraph (1), item (i), Article 91, paragraph (1), item (i), item (v), item (xvi), and item (xviii), sub-item (b), 2., 4. through 6., and item (xx);
  - (iii) the content of the fund management conducted through the act set forth in Article 91, paragraph (4), item (i), sub-item (a) or (b), the investment referred to in item (ii) of that paragraph, or the business referred to in item (iii) of that paragraph, in connection with the beneficial interest in commodity fund;
  - (iv) the method of the distribution of the profit of the commodity fund;
  - (v) the payment method of the redemption money payable upon maturity, and if an accelerated redemption may be made, the payment method of the redemption money; and
  - (vi) the method of taxation imposed on the dividend and the redemption money and the tax rate.
- (2) The provisions of Article 100, paragraph (2) apply mutatis mutandis to commodity fund-related transactions. In such a case, the term "the items of that paragraph" in that paragraph is deemed to be replaced with "the items of Article 104, paragraph (1)".

(Special Provisions on Matters to Be Stated in a Document to Be Delivered  
Upon Conclusion of a Contract on Transactiond For Business Related to  
Investment in Racehorses)

Article 105 (1) The matters concerning the bloodlines of the racehorses and the status of their breeding management must be stated in a document for delivery upon conclusion of a contract to be prepared when a financial instruments transaction contract on business related to investment in racehorses is concluded, in addition to the matters specified in paragraph (1) of the preceding Article.

(2) The provisions of Article 100, paragraph (2) apply mutatis mutandis to transactions for a business related to investment in racehorses. In such a case, the terms "the matters set forth in the items of the preceding paragraph", "in that paragraph", and "the matters set forth in the items of that paragraph" in that paragraph are deemed to be replaced with "the matters related to the bloodlines of racehorses and the status of their breeding management", "in Article 105, paragraph (1)", and "the matters", respectively.

(Special Provisions on Matters to Be Stated in a Document to Be Delivered  
Upon Conclusion of a Contract Related to Investment Advisory Contracts)

Article 106 (1) The following matters must be stated in a document for delivery upon conclusion of a contract to be prepared when an investment advisory contract or a financial instruments transaction contract which provides for performing the act specified in Article 2, paragraph (8), item (xiii) of the Act (limited to that related to an investment advisory contract) has been concluded:

- (i) the content and method of advice;
- (ii) the amount and timing of the payment of remuneration;
- (iii) the matters concerning the cancellation of a contract (including the matters related to the provisions of Article 37-6, paragraphs (1) through (4) of the Act);
- (iv) if there is an agreement for liquidated damages (including penalties), the content of the agreement;
- (v) the contract period;
- (vi) the name of the analysts, etc.;
- (vii) the name of the person that provides advisory services based on investment advisory contracts to customers;
- (viii) the fact that the customer is entitled to receive a payment for claims arising from the investment advisory contract from a business security deposit furnished by the financial instruments business operator in preference over other creditors;
- (ix) the matters set forth in Article 95, paragraph (1), item (vii);

- (x) the matters set forth in Article 95, paragraph (1), item (viii); and
  - (xi) the matters set forth in Article 95, paragraph (1), item (ix).
- (2) The provisions set forth in the following items do not apply to the cases prescribes in each of those items:
- (i) the provisions of item (ix) of the preceding paragraph: if the financial instruments business operator, etc. falls under any of the following persons:
    - (a) a person engaged in type I financial instruments business (excluding type-I small amount electronic public offering service providers);
    - (b) a person engaged in type II financial instruments business (excluding type-II small amount electronic public offering service providers);
    - (c) a registered financial institution;
    - (d) a financial instruments intermediary service provider; or
    - (e) a financial service intermediary;
  - (ii) the provisions of item (x) of the preceding paragraph: if the financial instruments business operator, etc. falls under any of the following persons:
    - (a) a person engaged in a securities, etc. management business; or
    - (b) a registered financial institution (limited to a financial institution engaged in a trust business, or a financial institution that accepts bank savings, postal savings, or installment savings, etc. as defined in Article 2, paragraph (4) of the Banking Act);
  - (iii) the provisions of item (xi) of the preceding paragraph: if the financial instruments business operator, etc. is any of the following persons:
    - (a) a person engaged in type I financial instruments business;
    - (b) a financial instruments intermediary service provider;
    - (c) a registered financial institution (limited to a financial institution engaged in trust business); or
    - (d) a financial service intermediary.
- (3) The provisions of Article 100, paragraph (2) apply mutatis mutandis to investment advisory contracts. In such a case, the term "the items of the preceding paragraph" in that paragraph is deemed to be replaced with "the items of Article 106, paragraph (1)".

(Matters to Be Stated in a Document for Delivery Upon Conclusion of a Contract Related to Discretionary Investment Contracts)

- Article 107 (1) The following matters must be stated in a document for delivery upon conclusion of a contract to be prepared when a discretionary investment contract or a financial instruments transaction contract which provides for performing the acts set forth in Article 2, paragraph (8), item (xiii) of the Act (limited to acts related to discretionary investment contracts) is concluded in addition to the matters set forth in the items of Article 99, paragraph (1):
- (i) the matters concerning the scope of discretionary investment decisions and

- the execution of an investment (if all or part of the authority concerning investment decisions or execution of an investment is entrusted to another person, including the name of the entrusted person (if the person is a financial instruments business operator that obtained a registration referred to in Article 29 of the Act for conducting investment management business for qualified investors, including that fact) and the scope of the entrustment);
- (ii) the amount of the remuneration and the timing of its payment;
  - (iii) the matters concerning cancellation of the contract;
  - (iv) if there are provisions for agreement on liquidated damages (including penalties) the content of the provisions;
  - (v) the contract period;
  - (vi) the content and amount of the customer's assets related to discretionary investment contracts;
  - (vii) the name of a person that makes an investment decision for customers, or a person that makes the investment decision and also makes an investment based on that decision for customers, based on the discretionary investment contract; and
  - (viii) the method of investment and the type of transactions, related to the customer's assets, which are conducted for the customer based on discretionary investment contracts;
  - (ix) if the financial instruments transaction contract is concluded through an act set forth in Article 2, paragraph (8), item (xiii) of the Act, the fact that the customer is entitled to receive payment for the claims arising from discretionary investment contracts for business security deposits related to financial instruments business operators in preference over other creditors;
  - (x) if a person that makes investments for right holders based on discretionary investment contracts is a financial instruments business operator that has obtained a registration referred to in Article 29 of the Act for conducting an investment management business for qualified investors, that fact; and
  - (xi) the frequency of delivering an investment report referred to in Article 42-7, paragraph (1) of the Act.
- (2) The provisions of Article 100, paragraph (2) apply mutatis mutandis to discretionary investment contract. In such a case, the term "the items of the preceding paragraph" is deemed to be replaced with "the items of Article 107, paragraph (1)".

(Matters to Be Stated in Reports on Outstanding Balance of Transactions)

Article 108 (1) The following matters must be stated in a report on outstanding balance of transactions:

- (i) the name of the customer;
- (ii) the following matters concerning the financial instruments transaction

contract referred to in Article 98, paragraph (1), item (iii), sub-item (a), or the financial instruments transaction contract concluded during the reporting period:

- (a) the contract date;
- (b) the date of the delivery of securities or commodities (including instruments or certificates issued in relation to the deposited commodities; hereinafter the same applies in this Article);
- (c) distinction of whether the type of transaction is a sale, etc. or a purchase, etc. (for transactions set forth in the following 1. through 5., distinction of the transactions prescribed in each of those clauses):
  - 1. a transaction set forth in Article 2, paragraph (21), item (ii) of the Act (including foreign market derivatives transactions similar to the transaction) and a transaction set forth in Article 2, paragraph (22), item (ii) of the Act: whether it is a transaction in which the customer becomes a party that pays money or a party that receives money when the actual figure exceeds the agreed figure;
  - 2. a transaction set forth in Article 2, paragraph (21), item (iii) of the Act (including foreign market derivatives transactions similar to the transaction) and a transaction set forth in Article 2, paragraph (22), items (iii) and (iv) of the Act: whether it is a transaction in which the customer becomes a party to grant options or a party to acquire options;
  - 3. a transaction set forth in Article 2, paragraph (21), item (iv) of the Act (including foreign market derivatives transactions similar to the transaction) and a transaction set forth in Article 2, paragraph (22), item (v) of the Act: whether it is a transaction in which the customer becomes a party to pay money or a party to receive money when the interest rate, etc. of the financial instrument or financial index agreed between the customer and the counterparty rises in the agreed period;
  - 4. a transaction set forth in Article 2, paragraph (21), item (iv)-2 of the Act: a transaction in which a party becomes a party to pay money or a party to receive money when the financial index concerning the commodities agreed between a customer and the counterparty rises in the agreed period; and
  - 5. a transaction set forth in Article 2, paragraph (21), item (v) of the Act (including foreign market derivatives transactions similar to the transaction) and a transaction set forth in Article 2, paragraph (22), item (vi) of the Act: whether it is a transaction in which the customer becomes a party to pay money or a party to receive money when grounds agreed in advance by the parties (meaning any of the grounds specified in paragraph (21), item (v) of that Article or paragraph (22),

- item (vi) of that Article) occur.
- (d) the type of securities or derivative transactions;
  - (e) the issue (including financial instruments or financial indexes which are to be the subject of transactions, the contract number stated in the contract document, or any other information that identify the subject of the transaction; hereinafter the same applies in this Section);
  - (f) the agreed volume (if there is no volume, number of transactions or the matter equivalent to volume);
  - (g) the amount or figure per transaction unit, such as the unit price, the amount of consideration, the agreed figure, or the option premium;
  - (h) the amount payable (including fees); and
  - (i) distinction of whether the transaction is a cash transaction or a margin transaction.
- (iii) the date of the delivery of securities made during the reporting period, and the type of those securities and the total number of shares or units, or the face value of those securities;
  - (iii)-2 the date of delivery of commodities made during the reporting period, and the type and quantity of the commodities;
  - (iv) the date of the delivery of money made during the reporting period and the amount of that money;
  - (v) the outstanding balance of the money, securities, and commodities on the last day of the reporting period;
  - (vi) the details of the unsettled account and variation loss or gain of the margin transaction, when-issued transaction (excluding when-issued transaction of government bonds), and derivative transactions, on the last day of the reporting period;
  - (vii) if a financial instruments transaction contract referred to in item (ii) concerns a margin transaction, the following matters in connection with the margin transaction:
    - (a) distinction of whether it is a new transaction or a settlement transaction;
    - (b) the due date for the payment; and
    - (c) interest payable for margin transaction or interest receivable from margin transaction, or share-borrowing commission or share-lending commission;
  - (viii) if a financial instruments transaction contract referred to in item (ii) concerns a transaction provided for in Article 28, paragraph (8), item (iii), sub-items (a) and (b) of the Act, distinction of whether it is a new transaction or a settlement transaction;
  - (ix) if a financial instruments transaction contract referred to in item (ii) concerns a transaction provided for in Article 28, paragraph (8), item (iii), sub-item (c) of the Act or the trading of bonds with options (meaning bond trading for which one of the parties has the right to designate the delivery



date, and if the right is not exercised within a certain period, the contract for the trading of bonds with options is canceled; the same applies hereinafter), the following matters concerning them:

- (a) the exercise period;
  - (b) the exercise price;
  - (c) distinction of whether it is a put option (meaning the option with which the party acquires the position of seller by exercise of rights; the same applies hereinafter) or a call option (meaning the option with which the party acquires the position of purchaser by exercise of rights; the same applies hereinafter);
  - (d) distinction of whether it is a new transaction, a transaction for exercise of rights, a resale transaction, a buy-back transaction, or a set-off transaction; and
  - (e) the contract month;
- (x) if a financial instruments transaction contract referred to in item (ii) concerns a transaction set forth in Article 28, paragraph (8), item (iii), sub-item (d) of the Act, the following matters concerning the transaction:
- (a) the transaction period; and
  - (b) the delivery date;
- (xi) if a financial instruments transaction contract referred to in item (ii) concerns a transaction provided for in Article 28, paragraph (8), item (iii), sub-item (d) of the Act, the following matters concerning the transaction:
- (a) distinction of whether the financial instruments business operator, etc. themselves is conducting the transaction on their own account or transaction has been entrusted to the business operator, etc.;
  - (b) the due date; and
  - (c) distinction of whether it is a new transaction, a settlement transaction, or a cancellation of transaction;
- (xii) if a financial instruments transaction contract referred to in item (ii) concerns a transaction provided for in Article 28, paragraph (8), item (iv), sub-item (c) or (d) of the Act, the following matters concerning the transaction:
- (a) distinction of whether the financial instruments business operator, etc. themselves is conducting the transaction on their own account or transaction has been entrusted to the business operator, etc.;
  - (b) the exercise period; and
  - (c) the content of the transaction to be closed by the exercise of options;
- (xiii) if the financial instruments transaction contract referred to in item (ii) concerns a transaction provided for in Article 28, paragraph (8), item (iv), sub-item (e) of the Act, the following matters concerning the transaction:
- (a) distinction of whether the financial instruments business operator, etc.

themselves is conducting the transaction on their own account or the transaction has been entrusted to the business operator, etc.;

(b) the transaction period; and

(c) the delivery date.

- (2) Notwithstanding the provisions of Article 98, paragraph (1), item (iii), if two or more financial instruments business operators, etc. are required to deliver a report on outstanding balance of transactions stating the matters set forth in the items of the preceding paragraph to a customer, if one of those financial instruments business operators, etc. has delivered the report on outstanding balance of transactions stating the matters set forth in the items of the preceding paragraph to the customer, the other financial instruments business operator, etc. is not required to prepare and deliver a report on outstanding balance of transactions.
- (3) Notwithstanding the provisions of paragraph (1), the following matters are to be stated in a report on outstanding balance of transactions to be prepared in the case referred to in Article 98, paragraph (1), item (iii), sub-item (a) (only if the delivery of securities, commodities, and money related to the financial instruments transaction contract specified in sub-item (a) of that item has been completed):
- (i) the matters set forth in paragraph (1), item (i), and item (ii), sub-items (b) and (e);
  - (ii) the outstanding balance of the securities, the commodities, and money after the delivery of securities, commodities, and money related to the individual purchase and sale or other transactions of securities or derivative transactions, etc. (excluding the matters set forth in the following item) have been completed;
  - (iii) the outstanding balance of the securities, the commodities, and money after the delivery of securities, commodities, and money related to the the individual purchase and sale or other transactions of securities or derivative transactions, etc. have been completed;
  - (iv) the details of the unsettled account and the loss or gain on valuation of margin transactions, when-issued transactions (excluding when-issued transactions of government bonds), and derivatives transactions; and
  - (v) the fact that the delivery of securities, commodities, and money related to the individual purchase and sale or other transactions of securities or derivative transactions, etc. have been completed.
- (4) Notwithstanding the provisions of Article 98, paragraph (1), item (iii), sub-item (a), if two or more financial instruments business operators, etc. are required to deliver a report on outstanding balance of transactions stating the matters set forth in the items of the preceding paragraph to a customer, if one of those financial instruments business operators, etc. has delivered the report

on outstanding balance of transactions stating the matters set forth in the items of the preceding paragraph to the customer, the other financial instruments business operator, etc. is not required to prepare and deliver a report on outstanding balance of transactions.

- (5) Notwithstanding the provisions of paragraph (3), if a financial instruments business operator, etc. prepares and delivers a report on outstanding balance of transactions in the case set forth in sub-item (b) of that item to the customer that has made a request referred to in Article 98, paragraph (1), item (iii), sub-item (a), the business operator may omit the statement of the following matters related to the customer at the time the delivery of securities, commodities, and money related to the financial instruments transaction contract referred to in sub-item (a) of that item has been completed:
  - (i) the matters set forth in paragraph (3), item (ii); and
  - (ii) the matters set forth in paragraph (3), item (iv).
- (6) In lieu of preparing a document stating the matters set forth in paragraph (1) or (3) and delivering the document to a customer, a financial instruments business operator, etc. may notify the customer of those matters by way of entering the the matters into a passbook.
- (7) Notwithstanding the provisions of paragraph (1), if a financial instruments business operator, etc. has obtained a prior consent from a customer to whom a document for delivery upon conclusion of a contract is not delivered pursuant to the provisions of Article 110, paragraph (1), item (v) or (vi) on packaging the orders for the same issue on the same day, the financial instruments business operator, etc. may state the average amount of the unit price for the transaction of that issues on the same day as the matters set forth in paragraph (1), item (ii), sub-item (g).
- (8) If the financial instruments transaction contract referred to in paragraph (1), item (ii) is a market derivatives transaction for which give-up action has been conducted, the fees which the order executing member, etc. and the clearance executing member, etc. directly received from a customer are to be stated as the fees referred to in sub-item (h) of that item.
- (9) Notwithstanding the provisions of paragraph (1), the entries of the matters set forth in items (ii) through (xiii) of that paragraph (excluding the matters set forth in item (ii), sub-item (a) and sub-items (d) through (f) of that paragraph, and the matters set forth in sub-item (h) of that item (limited to fees)) which have been made in the document for delivery upon conclusion of a contract for individual derivative transactions, etc. or in the contract document stating the terms and conditions of the derivative transaction, etc. may be omitted.
- (10) If any act set forth in the items of Article 118, item (i), sub-items (a) through (e) among the acts set forth in the items of paragraph (1) has been performed,

the entries of the matters concerning a transaction for canceling the act or for performance to achieve the main purpose of the customer's order, which is conducted after obtaining the customer's consent (referred to as "handling of problematic conduct" in Article 110, paragraph (1), item (iv) and Article 164, paragraph (3), item (i)) may be omitted.

- (11) If the financial instruments transaction contract referred to in paragraph (1), item (ii) is a market derivatives transaction for which give-up was executed, the entries of the matters set forth in item (iii), item (v) (excluding matters concerning outstanding balance), item (vi), item (vii), sub-item (a), item (viii), and item (ix), sub-item (d) of that paragraph is to be omitted.

(Matters to Be Stated in Report on Status of Investment of Commodity Funds)

Article 109 The report referred to in Article 98, paragraph (2) must state the following matters:

- (i) the preparation date of the report and that of the previous report;
- (ii) the total amount of net assets and the amount of net assets per unit (including the amount of trust property), at the end of the accounting period;
- (iii) the progress of investments made in the accounting period;
- (iv) the status of the distribution of assets for each of the following matters at the end of the accounting period:
  - (a) the commodity futures transactions (including the breakdown of each of the major goods related to the commodity futures transactions, such as precious metals, agricultural products, and energy resources);
  - (b) the commodities investment set forth in Article 2, paragraph (1), item (ii) of the Act on Regulation of Commodity Investment (including the breakdown of each of the major goods related to the commodities investment transactions, such as precious metals, agricultural products, and energy resources);
  - (c) the commodities investment set forth in Article 2, paragraph (1), item (iii) of the Act on Regulation of Commodity Investment (including the breakdown of each of the major goods related to the commodities investment transactions, such as precious metals, agricultural products, energy resources);
  - (d) investment by way of acquisition (including production), transfer, use, or having a person use the goods set forth in Article 37, paragraph (1), item (ii), sub-items (a) through (e) of the Order (including the breakdown of each of the goods);
  - (e) other investment methods (including the breakdown of investment in securities, negotiable deposits, or other major financial instruments, transactions set forth in the items of Article 2, paragraph (21) of the Act, transactions set forth in the items of paragraph (22) of that Article, a

transaction prescribed in paragraph (23) of that Article, and other major investment methods);

- (v) the balance sheet and profit and loss statement of the commodity fund for the accounting period, or a substitute document for them (if there is a person that has received an investment from the commodity fund, the consolidated balance sheet and the consolidated profit and loss statement related to the commodity fund and that person, or a substitute document for them, for which entries are made in a way that customers are able to understand the net asset concerning the commodity fund or that person);
- (vi) if the document referred to in the preceding item or other documents related to financial balance calculation have been audited by a certified public accountant or an audit corporation, that fact and the scope of the audit (excluding the case in which a document related to audit by a certified public accountant or an audit corporation is attached to the document specified in that item, and the scope of the audit is clearly indicated in the document);
- (vii) if the document referred to in item (v) or other financial documents have not been audited by a certified public accountant or an audit corporation, that fact;
- (viii) the number, the number of cancellations, and the number of redemptions, of public offerings, private placements, secondary distributions, or solicitations for selling, etc. only for professional investors, during the accounting period, and the amount of increase or decrease of assets resulting from them; the number, the number of cancellations, and the number of redemptions, of public offerings, private placements, secondary distributions, or solicitations for selling, etc. only for professional investors, during the period from the commencement of the investment to the end of the accounting period, and the amount of increase or decrease of assets resulting from them; and
- (ix) the following matters in connection with dividends:
  - (a) the total amount of dividends for the accounting period; and
  - (b) the amount of dividend per unit for the accounting period.

(When Delivery of Document for Delivery Upon Conclusion of a Contract Is Unnecessary)

Article 110 (1) The cases specified by Cabinet Office Order as prescribed in the proviso to Article 37-4, paragraph (1) of the Act related to a document for delivery upon conclusion of a contract are as follows:

- (i) if the financial instruments transaction contract is any of the following contracts, and the financial instruments business operator, etc. has developed a system in which it is possible to periodically deliver documents

stating the content of the financial instruments transaction contract to customers, and to promptly respond to the customer's inquiries on individual transactions:

- (a) a contract for purchase of securities under a contract for cumulative investment, or for periodical sale of securities conducted based on a contract for cumulative investment;
  - (b) a contract to have a customer acquire the issues of securities or rights that are the same as the securities set forth in Article 2, paragraph (1), item (x) of the Act owned by the customer or the rights set forth in paragraph (2), item (v) or (vi) of that Article, using the earnings generated from those securities or rights; or
  - (c) a contract for canceling purchase and sale of the securities set forth in Article 2, paragraph (1), item (x) of the Act (limited to the beneficiary certificates for bond investment trust prescribed in Article 25, item (ii) of the Regulations for Enforcement of the Act on Investment Trusts and Investment Corporations (limited to those whose accounting period is one day)), or for canceling an investment trust agreement related to those securities;
- (ii) if a financial instruments transaction contract related to any of the following transactions has been concluded, and a written contract stating the conditions of the transaction is to be delivered on each occasion a contract is concluded:
- (a) a purchase and sale with repurchase conditions of bonds, etc. (meaning securities set forth in Article 2, paragraph (1), items (i) through (v) and item (xv) of the Act (excluding convertible specified bond certificates and specified bond certificates with preferred equity subscription rights prescribed in the Act on Securitization of Assets, and corporate bond certificates with share options; the same applies in sub-item (a)), securities set forth in item (xvii) of that paragraph (limited to the securities that have the nature of the securities set forth in items (i) through (v) and item (xv) of that paragraph), and securities set forth in Article 1, item (i) of the Order; hereinafter the same applies in this item) (meaning purchase and sale in which the repurchase price has been fixed in advance or the repurchase date has not been fixed at the time of the conclusion of the contract, and for which the repurchase price may be determined upon fixing the repurchase date);
  - (b) a purchase and sale with resale conditions of bonds, etc. (meaning bonds, etc. for which the resale price has been fixed in advance or the resale date has not been fixed at the time of conclusion of the contract, and the resale price may be determined upon fixing the resale date);
  - (c) a transaction of purchase and sale of bonds, etc. for which the period from

- the contract date to the delivery date is one month or longer;
- (d) a trading of bonds with options;
- (e) an over-the-counter derivatives transaction;
- (f) an intermediation, a brokerage, or an agency service for sale of securities (limited to cases in which a customer related to the financial instruments transaction contract is the issuer or owner of those securities);
- (g) an intermediary or agency service for purchase of securities (limited to cases in which an intermediary or agency service for purchase of securities related to a tender offer is provided with a tender offeror as the other party);
- (h) underwriting of securities; and
- (i) handling of a public offering or secondary distribution of securities, handling of a private placement of securities, or handling of a solicitation for selling, etc. only for professional investors (only if the customer related to the financial instruments transaction contract is the issuer or owner of the securities);
- (iii) if a financial instruments transaction contract related to the brokerage for clearing of securities conducted by a clearing participant (meaning a clearing participant prescribed in Article 156-7, paragraph (2), item (iii) of the Act) has been concluded;
- (iv) if the case is for handling of problematic conduct;
- (v) if a customer has concluded a discretionary investment contract with the financial instruments business operator, etc. or another financial instruments business operator, etc. (limited to a person that conducts an investment management business), and purchase and sale or other transactions of securities based on the discretionary investment contract or derivative transactions, etc. satisfy all of the following requirements:
  - (a) the financial instruments business operator, etc. is to obtain a prior consent that delivery of the document for delivery upon conclusion of a contract is unnecessary from the customer, in writing or by the means of utilizing information communications technology;
  - (b) the financial instruments business operator, etc. is to deliver a document stating the matters equivalent to those set forth in Article 100, paragraph (1) and other details of purchase and sale or other transactions of securities based on the discretionary investment contract or derivative transactions, etc. to the customer without delay (excluding the case in which the customer's prior consent that the delivery of a document stating the details is unnecessary has been obtained in writing or by the means of utilizing information communications technology in advance); and
  - (c) the financial instruments business operator, etc. has developed a system in which it is possible to promptly respond to the customer's inquiries on

individual transactions;

- (vi) if a financial instruments transaction contract providing that the conditions of a financial instruments transaction contract already concluded is to be partially changed, the following cases:
    - (a) if there are no matters stated in a document for delivery upon conclusion of a contract related to a financial instruments transaction contract already concluded required to be changed as a result of the partial change; or
    - (b) if there are matters stated in a document for delivery upon conclusion of a contract related to the financial instruments transaction contract already concluded required to be changed as a result of the partial change, and the financial instruments business operator, etc. has delivered a document stating the matters required to be changed to the customer;
  - (vii) if the financial instruments transaction contract is a market derivatives transaction for which give-up was performed upon the customer's instruction, and it has been agreed in writing among the customer, the order executing member, etc., and the clearance executing member, etc., in advance, that a document for delivery upon conclusion of a contract is to be delivered by the clearance executing member, etc. in lieu of delivering that document to the customer by the order executing member, etc.
- (2) In lieu of delivering the document referred to in item (i) of the preceding paragraph or a contract document referred to in item (ii) of that paragraph (hereinafter referred to as "document, etc." in this paragraph), a financial instruments business operator, etc. may provide the matters required to be stated in the document, etc. (hereinafter referred to as "matters to be stated" in this Article) by electronic or magnetic means (excluding the means set forth in Article 56, paragraph (1), item (i), sub-item (d); hereinafter the same applies in this Article) as specified in the following paragraph and by obtaining the customer's consent. In such a case, a financial instruments business operator, etc. is deemed to have delivered the document, etc.
- (3) If a financial instruments business operator, etc. seeks to provide the matters to be stated pursuant to the provisions of the preceding paragraph, the business operator, etc. must present the type and content of the electronic or magnetic means set forth in Article 56, paragraph (1), item (i), sub-items (a) through (c) or item (ii) they are to use to the customer and obtain their approval in writing or by the means of utilizing information communications technology.
- (4) If a customer has made a notice in writing or by the means of utilizing information communications technology that they are not willing to receive the matters by electronic or magnetic means, a financial instruments business operator, etc. that has obtained the consent referred to in the preceding



paragraph must not provide them with the matters to be stated by the means of utilizing information communications technology; provided, however, that this does not apply if the customer has given the consent under the provisions of that paragraph.

- (5) The provisions of Article 56, paragraph (2) (excluding item (iii), (b), and item (iv)) apply mutatis mutandis to the provision of matters by electronic or magnetic means referred to in paragraph (2). In such a case, the phrase "the transaction est frth in the matters stated was finally conducted " in Article 56, paragraph (2), item (iii) is deemed to be replaced with "the matters stated have been recorded".
- (6) The "means of utilizing information communications technology" as used in paragraph (1), item (v), sub-items (a) and (b), and in paragraphs (3) and (4) are the following means:
  - (i) a means of using an electronic data processing system prescribed in Article 56, paragraph (3), the following means:
    - (a) a means of transmitting data via a telecommunications line that connects a computer used by a financial instruments business operator, etc. and that used by a customer, and recording the data in a file stored on a computer used by the recipient; and
    - (b) a means of making the matters concerning the customer's consent recorded in a file stored on a computer used by a financial instruments business operator, etc. available for inspection by the customer via a telecommunications line, and recording the matters concerning the customer's consent in a file stored on a computer used by the financial instruments business operator, etc.;
  - (ii) the means of obtaining a medium on which a file prepared by using an object that can securely record certain matters by means of a magnetic disk, CD-ROM, or any other equivalent means and recording the matters concerning the customer's consent.
- (7) The means set forth in the items of the preceding paragraph must be the means that enable a financial instruments business operator, etc. to prepare a document by outputting the data recorded on the file.
- (8) The provisions of Article 34-2, paragraph (4) of the Act, Article 15-22 of the Order, and Article 56 and Article 57 of this Cabinet Office Order apply mutatis mutandis to the delivery of the document under the provisions of paragraph (1), item (vi).

(When Delivery of Report on Outstanding Balance of Transactions Is Unnecessary)

Article 111 The cases specified by Cabinet Office Order as prescribed in the proviso to Article 37-4, paragraph (1) of the Act related to a report on

outstanding balance of transactions are as follows:

- (i) if the customer is a foreign government, foreign governmental organization, foreign local government, foreign central bank, or an international organization to which Japan has acceded and a financial instruments business operator, etc. has obtained a prior consent that a delivery of a report on outstanding balance of transactions is unnecessary in writing or by the means of utilizing information communications technology as set forth in paragraph (6) of the preceding Article from the customer with authority, and the financial instruments business operator, etc. has established a system in which it is possible to promptly respond to the customer's inquiries on their transaction balance (excluding the case in which a customer is a qualified institutional investor, or is a foreign corporation that is a professional investor);
- (ii) an intermediary or agency services for purchase of securities (only if the financial instruments business operator, etc. provides an intermediary or agency services for purchase of securities concerning a tender offer to a tender offeror);
- (iii) if the delivery referred to in Article 98, paragraph (1), item (iii) concerns underwriting of securities;
- (iv) if a financial instruments transaction contract or the delivery referred to in Article 98, paragraph (1), item (iii) concerns handling of a public offering or secondary distribution of securities, handling of a private placement of securities, or handling of a solicitation for selling, etc. only for professional investors (limited to the case in which a customer related to the handling of a public offering or secondary distribution of those securities or a private placement of those securities, or handling of a solicitation for selling, etc. only for professional investors is the issuer or owner of the securities);
- (v) if purchase and sale or other transactions of securities, commodities (including instruments or certificates issued in relation to deposited commodities), or securities not involving delivery of money, or a derivatives transaction, etc. (excluding brokerage for clearing of securities, etc.) is conducted;
- (vi) if the financial instruments transaction contract is a market derivatives transaction for which a give-up action has been implemented upon a customer's instruction, and the customer, the order executing member, etc. and the clearance executing member, etc., have reached an agreement in writing that a report on outstanding balance of transactions is to be delivered by the clearance executing member, etc. in lieu of the order executing member, etc. delivering the report, in advance.

(When Delivery of Report on Status of Investment of Commodity Fund Is

Unnecessary)

Article 112 The cases specified by Cabinet Office Order as prescribed in the proviso to Article 37-4, paragraph (1) of the Act related to the report referred to in Article 98, paragraph (2) are those in which a customer is any of the following persons:

- (i) a trust company (limited to a trust company that obtained a license referred to in Article 3 or Article 53, paragraph (1) of the Trust Business Act);
- (ii) credit cooperatives and federations of credit cooperatives, and agricultural cooperatives, federations of agricultural cooperatives, fisheries cooperatives, federations of fisheries cooperatives, fishery processing industry cooperatives and federations of fishery processing industry cooperatives, which accept postal savings on a regular basis;
- (iii) a commodity derivatives business operator as defined in Article 2, paragraph (23) of the Commodity Derivatives Transaction Act;
- (iv) a commodity trading advisor as defined in Article 2, paragraph (4) of the Act on Regulation of Commodity Investment; or
- (v) a financial instruments business operator (limited to a business operator that conducts type II financial instruments business, and excluding a qualified institutional investor).

(Type of Security Deposit for Which Delivery of Documents Is Necessary)

Article 113 The security deposits specified in Cabinet Office Order as prescribed in Article 37-5, paragraph (1) of the Act are a contract for over-the-counter derivatives transactions, and money, securities or any other property deposited by customers in connection with a transaction related to a contract set forth in the items of Article 16-4, paragraph (2) of the Order.

(Matters to Be Stated in Documents Required Upon Receipt of Security Deposits)

Article 114 (1) The following matters must be stated in the document provided for in Article 37-5, paragraph (1) of the Act:

- (i) the trade name or name of the financial instruments business operator, etc.;
- (ii) the means by which a customer contacts the financial instruments business operator, etc.;
- (iii) the customer's name;
- (iv) the date when the financial instruments business operator, etc. received security deposit (limited to a security deposit prescribed in the preceding Article; hereinafter the same applies in this paragraph);
- (v) the type of the transaction related to the security deposit, and the type of the financial instrument or financial index that is subject of the transaction;
- (vi) if the transaction secured by deposits concerns market derivatives

transactions or foreign market derivatives transactions, the trade name or name of a person that establishes the financial instruments exchange market or the foreign financial instruments market on which the market transaction of derivatives or foreign market derivatives transactions are to be conducted; and

(vii) distinction of whether the security deposit is money or securities, etc.

(meaning securities or property other than money; hereinafter the same applies in this item), and if the security deposit is securities, etc., their type (for securities, the issues), quantity, and the substitute price.

(2) The document referred to in the preceding paragraph must use letters and numbers of a size larger than 8 point specified in JIS Z8305.

(Amount of Consideration Equivalent to Money Payable by Customers for the Period Until Cancellation of Contracts)

Article 115 (1) The amount specified by Cabinet Office Order as prescribed in Article 37-6, paragraph (3) of the Act is the amount specified in the following items in accordance with the category of cases set forth in each of those items:

(i) if a financial instruments business operator, etc. has not given any advice based on an investment advisory contract by the time specified in Article 37-6, paragraph (2) of the Act (hereinafter referred to as the "time of cancellation"): the amount of money equivalent to the expenses usually required for the conclusion of an investment advisory contract;

(ii) if it has been decided that the amount of the remuneration is to be calculated based on the number of times advice is given pursuant to an investment advisory contract (excluding the case set forth in the preceding item): the amount of money equivalent to the amount of remuneration calculated based on the number of times advice was given by the financial instruments business operator, etc. until the time of cancellation (if the calculated amount exceeds the amount of the remuneration for the advice given by the financial instruments business operator, etc. considered appropriate in light of socially accepted conventions, the amount obtained after deducting the excess amount);

(iii) cases other than those set forth in the preceding two items: the amount of money equivalent to the amount obtained by multiplying the amount obtained by dividing the amount of remuneration for the entire contract period by the total number of days (if the time of expiration of the contract period has not been fixed at the time of cancellation, the total number of days for the contract period is deemed to be 365; the same applies in the following paragraph) for the contract period by the number of days from the day the document for delivery upon conclusion of a contract is received (if the matters required to be stated in the document for delivery upon conclusion of

- a contract has been provided by electronic or magnetic means in lieu of delivering the document, the day specified in Article 95, paragraph (1), item (v), sub-item (a) or (b) in accordance with the category of the case set forth in the sub-item (a) or (b)) to the time of cancellation (if the calculated amount exceeds the amount of remuneration for advice given by the financial instruments business operator, etc. considered appropriate in light of socially accepted conventions, the amount after deducting the excess amount).
- (2) For the calculation referred to in item (iii) of the preceding paragraph, if a fraction less than one yen occurs in the calculation, the fraction is rounded down.

(Complaint Processing Measures and Dispute Resolution Measures Concerning Financial Instruments Business)

Article 115-2 (1) The measures specified by Cabinet Office Order as complaint processing measures prescribed in Article 37-7, paragraph (1), item (i), sub-item (b) of the Act are any of the following measures:

- (i) to take all of the following measures:
- (a) to develop a business operation system sufficient to execute business concerning the processing of complaints related to business of financial instruments business, etc. (meaning complaints related to business of financial instruments business, etc. as defined in Article 156-38, paragraph (9) of the Act; hereinafter the same applies in this paragraph and paragraph (3)) in a fair and appropriate fashion;
  - (b) to develop internal rules for executing business related to the processing of complaints concerning business of financial instruments business, etc. in a fair and appropriate manner (limited to rules that contain provisions which clarify the sharing of responsibility related to the business in the company); and
  - (c) to inform customers of the place to file complaints related to business of financial instruments business, etc., and publicize the business operation system referred to in sub-item (a) and the internal rules referred to in sub-item (b);
- (ii) to process complaints related to business of financial instruments business, etc. through settlement of complaint by a financial instruments firms association or a certified investor protection organization pursuant to the provisions of Article 77, paragraph (1) of the Act (including as applied mutatis mutandis pursuant to Article 78-6 and Article 79-12 of the Act);
- (iii) to process complaints related to business of financial instruments business, etc. through mediation prescribed in Article 19, paragraph (1) or Article 25 of the Basic Consumer Act (Act No. 78 of 1968);
- (iv) to process complaints related to business of financial instruments business,

etc. through complaint processing procedures implemented by a person specified in the following sub-items in accordance with the category of business of financial instruments business, etc. (meaning the business of financial instruments business, etc. as defined in Article 156-38, paragraph (8) of the Act; the same applies in item (iv) of the following paragraph) set forth in each of those sub-items, or by a person that has received the designation set forth in the items of Article 19-7 of the Order:

- (a) specified type I financial instruments business (meaning specified type I financial instruments business as defined in Article 156-38, paragraph (2) of the Act; hereinafter the same applies in item (iv) of the following paragraph): a designated dispute resolution organization other than a designated type-I dispute resolution organization (meaning a designated type-I dispute resolution organization prescribed in Article 37-7, paragraph (1), item (i), (a) of the Act; the same applies in item (iv) of the following paragraph);
- (b) specified type II financial instruments business (meaning specified type II financial instruments business as defined in Article 156-38, paragraph (3) of the Act; hereinafter the same applies in item (iv) of the following paragraph): a designated dispute resolution organization other than a designated type-II dispute resolution organization (meaning a designated type-II dispute resolution organization prescribed in Article 37-7, paragraph (1), item (ii), sub-item (a) of the Act; the same applies in item (iv) of the following paragraph);
- (c) specified investment advisory and agency business (meaning specified investment advisory and agency business as defined in Article 156-38, paragraph (4) of the Act; the same applies in item (iv) of the following paragraph): a designated dispute resolution organization other than a designated investment advisory and agency business dispute resolution organization (meaning a designated investment advisory and agency business dispute resolution organization prescribed in Article 37-7, paragraph (1), item (iii), sub-item (a) of the Act; the same applies in item (iv) of the following paragraph);
- (d) specified investment management business (meaning specified investment management business as defined in Article 156-38, paragraph (5) of the Act; the same applies in item (iv) of the following paragraph): a designated dispute resolution organization other than a designated investment management business dispute resolution organization (meaning a designated investment management business dispute resolution organization prescribed in Article 37-7, paragraph (1), item (iv), (a) of the Act; the same applies in item (iv) of the following paragraph);
- (e) business of a specified registered financial institution (meaning business

- of a specified registered financial institution as defined in Article 156-38, paragraph (6) of the Act; the same applies in item (iv) of the following paragraph): a designated dispute resolution organization other than a designated registered financial institutions dispute resolution organization (meaning a designated registered financial institutions dispute resolution organization prescribed in Article 37-7, paragraph (1), item (v), sub-item (a) of the Act; the same applies in item (iv) of the following paragraph); and
- (f) business of a specified securities finance company (meaning business of a securities finance company as defined in Article 156-38, paragraph (7) of the Act; the same applies in item (iv) of the following paragraph): a designated dispute resolution organization other than a designated securities finance companies dispute resolution organization (meaning a designated securities finance companies dispute resolution organization prescribed in Article 156-31-2, paragraph (1), item (i) of the Act; the same applies in item (iv) of the following paragraph); or
- (v) to process complaints related to business of financial instruments business, etc. through complaint processing procedures implemented by a corporation that has a financial basis and a personnel structure sufficient to execute business related to the processing of complaints on business of financial instruments business, etc. in a fair and appropriate manner (meaning a corporation as defined in Article 156-39, paragraph (1), item (i) of the Act; the same applies in item (v) of the following paragraph).
- (2) The measures specified by Cabinet Office Order as dispute resolution measures provided for in Article 37-7, paragraph (1), item (i), sub-item (b) of the Act are any of the following measures:
- (i) to resolve disputes related to business of financial instruments business, etc. (meaning disputes related to business of a financial instruments business, etc. as defined in Article 156-38, paragraph (10) of the Act; hereinafter the same applies in this Article) through mediation by a financial instruments firms association or a certified investor protection organization (meaning mediation prescribed in Article 77-2, paragraph (1) of the Act (including as applied mutatis mutandis pursuant to Article 78-7 and Article 79-13 of the Act));
- (ii) to resolve disputes related to business of financial instruments business, etc. through mediation by an organization prescribed in the articles of association provided for in Article 33, paragraph (1) the Attorneys Act (Act No. 205 of 1949) or rules specified pursuant to the articles of association or through arbitration procedures taken by the organization;
- (iii) to resolve disputes related to business of financial instruments business, etc. through mediation prescribed in Article 19, paragraph (1) or Article 25 of the Basic Consumer Act, or resolution based on an agreement prescribed in

- that Article;
- (iv) to resolve disputes related to business of financial instruments business, etc. through procedures to resolve disputes implemented by a person specified in the following sub-items in accordance with the category of business of financial instruments business, etc. set forth in each of those sub-items, or by a person that received a designation set forth in the items of Article 19-7 of the Order:
    - (a) specified type I financial instruments business: a designated dispute resolution organization other than a designated type-I dispute resolution organization;
    - (b) specified type II financial instruments business: a designated dispute resolution organization other than a designated type-II dispute resolution organization;
    - (c) specified investment advisory and agency business: a designated dispute resolution organization other than a designated investment advisory and agency business dispute resolution organization;
    - (d) specified investment management business: a designated dispute resolution organization other than a designated investment management business dispute resolution organization;
    - (e) specified registered financial institution business: a designated dispute resolution organization other than a designated registered financial institution dispute resolution organization; and
    - (f) specified business of a securities finance company: a designated dispute resolution organization other than a designated securities finance company dispute resolution organization; or
  - (v) to resolve disputes related to business of a financial instruments business, etc. through procedures on the resolution of disputes implemented by a corporation that has a financial basis and a personnel structure sufficient to execute business related to the resolution of disputes related to business of a financial instruments business, etc. in a fair and appropriate manner.
- (3) Notwithstanding the provisions of the preceding two paragraphs (limited to paragraph (1), item (v), and item (v) of the preceding paragraph), a business operator involved in financial instruments transactions must not process complaints related to business of a financial instruments business, etc. or resolve disputes related to business of a financial instruments business, etc. through procedures implemented by a corporation that falls under any of the following items:
- (i) a corporation that was sentenced to a fine pursuant to the provisions of the Act or the Attorneys Act, and for whom five years have not passed since the day on which the corporation finished serving the sentence or ceased to be subject to the enforcement of the sentence;



- (ii) a corporation that had its designation under the provisions of Article 156-39, paragraph (1) of the Act revoked pursuant to the provisions of Article 156-61, paragraph (1) of the Act and for whom five years have not passed since the day of the revocation, or a corporation that had the designation set forth in the items of Article 19-7 of the Order revoked and for whom five years have not passed since the day of the revocation; or
- (iii) a corporation that has a person falling under any of the following sub-items among its officers engaged in its business (if an officer is a corporation, including a person that is to perform the duties of the corporation; hereinafter the same applies in this item):
  - (a) a person that was sentenced to imprisonment without work or a heavier punishment, or was sentenced under the provisions of the Act or the Attorneys Act for whom and five years have not passed since the day on which the person finished serving the sentence or ceased to be subject to the enforcement of the sentence; or
  - (b) at a corporation that had its designation under the provisions of Article 156-39, paragraph (1) of the Act revoked pursuant to the provisions of Article 156-61, paragraph (1) of the Act, a person who was an officer within one month before the day of the revocation and for whom five years have not passed since the day of the revocation, or at a corporation that had its designation set forth in the items of Article 19-7 of the Order revoked, a person who was an officer within one month before the day of the revocation and for whom five years have not passed since the day of the revocation.

(Exception to the Prohibition of Uninvited Solicitation)

Article 116 (1) The acts specified by Cabinet Office Order as prescribed in the proviso to Article 38 of the Act are those set forth in the following sub-items for the acts set forth in item (iv) of that Article:

- (i) an act by a financial instruments business operator of soliciting a customer who is in a continuous transaction relationship with them (limited to a person that concluded two or more contracts for over-the-counter financial instruments transactions related to over-the-counter transactions of financial futures in the period of one year before the day of the solicitation, and a person that has an unsettled balance of over-the-counter transactions of financial futures on the day of the solicitation) to conclude a financial instruments transaction contract related to over-the-counter transactions of financial futures;
- (ii) an act of soliciting a corporation that conducts foreign trade or other foreign exchange transactions to conclude a financial instruments transaction contract for over-the-counter transactions of financial futures, in

- order to reduce the possible risk of losses arising from fluctuations in the exchange rate related to the assets or liabilities held by the corporation;
- (ii)-2 an act by a financial instruments business operator, etc. to solicit a customer in a continuous business relationship with them (limited to a customer who has concluded two or more contracts for financial instruments transaction related to cryptoasset-related over-the-counter derivatives transactions (meaning the transactions set forth in Article 16-4, paragraph (1), item (i), sub-item (d) of the Cabinet Order; hereinafter, the same applies in this item, Article 117, paragraph (1), item (xxvi), Article 123, paragraph (1), items (xx) and (xxi), and Article 143, paragraph (2)) for the period of one year before the day of the solicitation, and who, on the day of the solicitation, has an unsettled balance of cryptoasset-related over-the-counter derivatives transactions) to conclude a financial instruments transaction contract for cryptoasset-related over-the-counter derivatives transactions;
  - (iii) an act of soliciting an individual to conclude a financial instruments transaction contract related to the following transactions from among securities-related over-the-counter derivatives transactions (meaning the transactions listed in Article 28, paragraph (8), item (iv) of the Act; hereinafter the same applies in the following item):
    - (a) among the transactions set forth in Article 28, paragraph (8), item (iv), (a) of the Act the securities that the individual owns which the individual promises to sell at a fixed time in the future and also lends or provides as security to the financial instruments business operator, etc. that are to be the counterparty to the sales; and
    - (b) among the transactions set forth in Article 28, paragraph (8), item (iv), sub-item (c) of the Act (limited to the transactions to be closed by execution of the right prescribed in sub-item (c) of that item is the transaction set forth in sub-item (c), 1. of that item), those which the individual grants to the financial instruments business operator, etc. the right to close the purchase of securities owned by the individual, and also lends or provides the securities as security to the financial instruments business operator, etc.
  - (iv) an act by a financial instruments business operator, etc. of soliciting a customer that is an individual in a continuous transaction relationship with them (limited to a person who has concluded two or more contracts for financial instruments transaction related to securities-related over-the-counter derivatives transactions (excluding transactions set forth in sub-items (a) and (b) of the preceding item; hereinafter the same applies in this item) in the period of one year before the day of the solicitation, and a person who has an unsettled balance of securities-related over-the-counter derivatives transactions on the day of the solicitation) to conclude a financial

- instruments transaction contract related to securities-related over-the-counter derivatives transactions; and
- (v) an act by a financial instruments business operator, etc. of soliciting a customer that is an individual in a continuous transaction relationship with them (limited to a person who has concluded two or more contracts for financial instruments transaction related to over-the-counter derivatives transactions (limited to the following transactions; hereinafter the same applies in this item) in the period of one year before the day of the solicitation, and a person who has an unsettled balance of over-the-counter derivatives transactions on the day of the solicitation) to conclude a financial instruments transaction contract related to over-the-counter derivatives transactions:
- (a) a transaction in which one of the party promises to grant the other party the option to close a transaction by a unilateral manifestation of the party's intention alone, in which the parties are to pay and receive the money calculated based on the difference between the numerical value that they have agreed in advance to use as the agreed figure for the financial index (the price of financial instruments (limited to those set forth in Article 2, paragraph (24), item (ii) or (iii) of the Act) or the interest rate, etc. of financial instruments (limited to those set forth in item (ii) of that paragraph; the same applies in sub-item (b)) or numerical value calculated based on them; hereinafter the same applies in this item) and the numerical value of the actual financial index at the time the manifestation was made, and the party promises to pay consideration for the option, or a similar transaction;
- (b) a transaction in which the parties mutually promise that the first party pays money based on the interest rate, etc. of financial instruments agreed with the other party or the rate of change during the agreed period of a financial index for the amount of money determined as the principal by the parties (excluding the interest rate, etc. of financial instruments and figures calculated based on them; the same applies in sub-item (b)) and the second party pays money based on the interest rate of financial instruments that are agreed with the second party or the rate of change during the agreed period of a financial index (including transactions promising to pay and receive money or financial instruments equivalent to the amount determined as the principal, together with the payment of the money in question), or transaction similar to the transaction; and
- (c) a transaction in which the second party promises to grant the first party the option to close a transaction set forth in sub-item (b) through the unilateral manifestation of the first party and the first party pays the consideration, or a similar transaction.

- (2) The matters specified by Cabinet Office Order as prescribed in the proviso to Article 38 of the Act are those set forth in item (iii) of the preceding paragraph for acts set forth in items (v) and (vi) of that Article.

(Credit Ratings Found Unlikely to Result in Insufficient Protection of Investors)

Article 116-2 The acts specified by Cabinet Office Order as prescribed in Article 38, item (iii) of the Act, are as follows:

- (i) a credit rating for the assessment of the credit status of the underlying assets (meaning underlying assets prescribed in Article 295, paragraph (3), item (ii) of the asset securitization products (meaning asset securitization products prescribed in item (i) of that paragraph; hereinafter the same applies in this item) for which the financial instruments transaction contract was concluded (excluding a credit rating found to be substantially the credit rating for the assessment of credit status of the asset securitization products); and
- (ii) beyond what is set forth in the preceding item, a credit rating which is mainly for assessment of the credit status of securities other than those related to the financial instruments transaction contract or the credit status of persons other than the issuer of securities (excluding a credit rating considered to be substantially the credit rating for the assessment of the credit status of the securities for the finance instruments transaction contract or the credit status of the issuer of the securities).

(Significance of Registration of Credit Rating Agencies and Other Matters)

Article 116-3 (1) The matters specified by Cabinet Office Order as prescribed in Article 38, item (iii) of the Act are as follows:

- (i) the significance of registration referred to in Article 66-27 of the Act;
- (ii) the following matters regarding the person that has assigned the credit rating:
  - (a) the trade name or name;
  - (b) if a person is a corporation (including an organization without juridical personality for which the representative person or administrator has been designated), the names of the officers (for an organization without juridical personality for which the representative person or administrator has been designated, the name of the representative person or administrator);
  - (c) the name and location of the head office, other principal business office, or office;
- (iii) an outline of the policy and method used by the person that has assigned a credit rating in assigning the credit rating; and
- (iv) the assumption, significance, and limitations of credit rating.

(2) Notwithstanding the provisions of the preceding paragraph, the credit ratings assigned by a person that is an associated corporation of a credit rating agency (meaning an "associated corporation" as defined in Article 295, paragraph (3), item (x); hereinafter the same applies in this paragraph) and that is designated by the Commissioner of the Financial Services Agency taking into consideration of the content and method of credit rating business conducted by the associated corporation of the credit rating agency, the status of the disclosure of information or other circumstances (hereinafter referred to as the "specified associated corporation" in this paragraph), the matters specified by Cabinet Office Order as prescribed in Article 38, item (iii) of the Act are as follows:

- (i) the significance of registration referred to in Article 66-27 of the Act;
- (ii) the trade name or name and the registration number of the credit rating agency;
- (iii) the name used by the specified associated corporation as a name indicating credit rating business;
- (iv) an outline of the policy and method used by the specified associated corporation in assigning the credit ratings, or means of obtaining information on the outline from the credit rating agency; and
- (v) the assumption, significance, and limitations of credit ratings.

(Acts Equivalent to Acts of Receiving the Entrustment of Purchase and Sale of Securities Related to High-Speed Trading Conducted by Persons Other Than High-Speed Traders)

Article 116-4 The acts specified by Cabinet Office Order as prescribed in Article 38, item (viii) of the Act are the following acts:

- (i) an act of being entrusted with the purchase and sale of securities or market derivatives transactions related to the high-speed trading conducted by a high-speed trader that has received an order for suspension of business related to high-speed trading (including a person specified in Article 16-4-2 of the Order; the same applies in the following item);
- (ii) an act of being entrusted with the purchase and sale of securities or market derivatives transactions conducted by a high-speed trader for whom it is not possible to confirm that they have appropriately taken the measures for sufficiently managing the electronic data processing system and other facilities related to high-speed trading; and
- (iii) high-speed trading conducted by a person other than a high-speed trader prescribed in Article 38, item (viii) of the Act (limited to those related to the acts set forth in Article 2, paragraph (41), item (iii) of the Act; hereinafter the same applies in this item) or the act set forth in item (i) of that paragraph related to the high-speed trading referred to in the preceding two

items conducted by the high-speed trader provided for in those items.

(Prohibited Acts)

Article 117 (1) The acts specified by Cabinet Office Order as prescribed in Article 38, item (ix) of the Act are as follows:

- (i) an act of concluding a financial instruments transaction contract without providing a customer (excluding a professional investor (excluding a person that is deemed to be a customer other than a professional investor pursuant to the provisions of Article 34-2, paragraph (5) of the Act, and including a person deemed to be a professional investor pursuant to the provisions of Article 34-3, paragraph (4) of the Act (including as applied mutatis mutandis pursuant to Article 34-4, paragraph (6) of the Act); the same applies hereinafter); hereinafter the same applies in this item) with an explanation in a manner and to the extent necessary for a customer to understand the matters set forth in Article 37-3, paragraph (1), items (iii) through (vii) of the Act (in delivering the document set forth in sub-item (d), an explanation on the matters set forth in items (iii) through (vii) of that paragraph that are stated in the document) in light of the customer's knowledge, experience, the status of the property, and the purpose of concluding a financial instruments transaction contract in advance to the customer, in delivering the following documents:
  - (a) a document for delivery prior to conclusion of a contract;
  - (b) an explanatory document on listed securities, etc.; and
  - (c) in the case referred to in Article 80, paragraph (1), item (iii), the prospectus specified in that item (if there is a document to be delivered as one document with the prospectus pursuant to the provisions of that item, the prospectus and the document); and
  - (d) a contract change document;
- (ii) an act of making a false representation, or making a representation which may lead to a material information being misunderstood, in concluding a financial instruments transaction contract or in making a solicitation for concluding the contract;
- (iii) an act of promising a customer or a person designated by the customer to provide a special benefit, or of providing a special benefit to a customer or a third party (including an act of having a third party to promise of providing, or providing, a special benefit), in connection with the financial instruments transaction contract;
- (iv) an act of using fraudulent means, or committing an assault or intimidation, in connection with the conclusion or cancellation of a financial instruments transaction contract;
- (v) an act of refusing or unreasonably delaying the performance of a financial

- instruments transaction act based on a financial instruments transaction contract or performance of all or part of the obligations based on the financial instruments transaction contract;
- (vi) an act of acquiring money, securities, or other properties, or a customer margin and other security deposits belonging to the customer's account based on the financial instruments transaction contract, through using false quotations and other wrongful means;
  - (vii) in concluding or canceling a financial instruments transaction contract, an act of soliciting a customer (limited to an individual, if the financial instruments transaction contract is not a contract for purchase and sale or other transactions of mortgage securities, etc. or beneficial interest in commodity fund and a contract set forth in each item of Article 16-4, paragraphs (1) and (2) of the Order) by telephone or a visit timed at a time the customer finds it annoying;
  - (viii) an act of assembling customers (excluding professional investors) and soliciting the conclusion of a financial instruments transaction contract specified in Article 38, item (iv) of the Act (excluding those related to transactions set forth in Article 116, paragraph (1), item (iii), sub-items (a) and (b)), without indicating to the customers in advance that the purpose of the assembly is solicitation for concluding the financial instruments transaction contract;
  - (viii)-2 when at the time of confirming whether or not a customer that is an individual (excluding a person that has opened an account for conducting transactions of securities or derivative transactions with the financial instruments business operator, etc. and a person that has concluded a commodity transaction contract provided for in Article 30 of the Order for Enforcement of the Commodity Derivatives Transaction Act (Cabinet Order No. 280 of 1950) wishes to receive solicitation for the conclusion of a financial instruments transaction contract provided for in Article 38, item (v) of the Act (limited to the solicitation related to the transactions set forth in Article 16-4, paragraph (2), item (i), sub-item (e) of the Order) in advance of the solicitation, using any of the following methods:
    - (a) to make a visit or phone call; and
    - (b) to assemble customers without indicating in advance that the assembly is for solicitation purposes;
  - (ix) notwithstanding the fact that a customer (excluding a professional investor) has manifested the intention not to conclude the financial instruments transaction contract provided for in Article 38, item (vi) of the Act (excluding the contracts related to transactions set forth in Article 116, paragraph (1), item (iii), sub-items (a) and (b)) (including the intention of not wishing to be solicited for the conclusion of the financial instruments

- transaction contract) in advance, an act of soliciting a customer to conclude the financial instruments transaction contract;
- (x) entrusted with purchase and sale of securities, or market derivatives transactions or foreign market derivatives transaction by a customer (meaning entrustment, etc. prescribed in Article 44, item (i) of the Act; the same applies hereinafter), for the purpose of closing the same transaction as purchase and sale of securities of the same issue as those securities or those market derivatives transactions or those foreign market derivatives transactions on the financial business operator's own account before closing purchase and sale or transactions for the entrustment, the act of conducting purchase and sale of securities, or market derivatives transactions or foreign market derivatives transactions (including a transaction conducted based on a discretionary transaction contract prescribed in Article 16, paragraph (1), item (viii), sub-item (b) of the Cabinet Office Order on Definitions under Article 2 of the Financial Instruments and Exchange Act (limited to a contract related to purchase and sale of securities, or market derivatives transactions or foreign market derivatives transactions; hereinafter referred to as "discretionary transaction contract")) at a price related to the entrustment of purchase and sale of the customer's securities, or market derivatives transactions or foreign market derivatives transactions (for market derivatives transactions or foreign market derivatives transactions, matter equivalent to price; hereinafter the same applies in this item) or at a more favorable price;
  - (xi) an act of conducting purchase and sale or other transactions of securities or derivatives transactions, etc. (excluding brokerage for clearing of securities, etc.) on the customer's account, without obtaining the customer's consent in advance;
  - (xii) an act by a financial instruments business operator, etc. that is an individual or an officer of a financial instruments business operator, etc. (if the officer is a corporation, including members that are to perform the corporation's duties) or employee of conducting purchase and sale or other transactions of a customer's securities by taking advantage of their position and based on the trend of orders related to purchase and sale or other transactions of securities conducted by customers and other special information learned in the course of duties, or solely in pursuit of speculative profit;
  - (xiii) an act of becoming entrusted, etc. with the purchase and sale or other transactions of securities from a customer, knowing that the customer's purchase and sale or other transactions of securities violates or may violate the provisions of Article 166, paragraph (1) or (3) of the Act or Article 167, paragraph (1) or (3) of the Act;



- (xiv) an act of soliciting a customer for purchase and sale or other transactions of securities or derivative transactions related to securities, or their intermediation, brokerage, or agency services, by providing the customer with corporate information on the issuer of those securities;
- (xiv)-2 with regard to purchase and sale and other transactions of securities or derivative transactions related to securities (hereinafter referred to as "purchase and sale, etc." in this item) or their intermediation, brokerage, or agency services, an act to have a customer gain interest by having the customer conduct the purchase and sale, etc. before corporate information on the issuer of the securities is considered to have been disclosed, or for the purpose of preventing the customers from incurring losses (excluding the acts listed in the preceding item), an act of soliciting the customer to conduct the purchase and sale, etc.; and
- (xv) if a survey is to be conducted on the prospects of demands by investors for securities subject to public offering prescribed in Article 166, paragraph (2), item (i), sub-item (a) or item (ix), sub-item (b) of the Act (limited to the public offering related to securities issued by a listed company, etc. prescribed in Article 163, paragraph (1) of the Act), an act of providing corporate information related to the public offering to the persons who are the target of the survey (hereinafter referred to as the "target persons of the survey" in this item), or the third party in cases a third party is to conduct the survey by being entrusted or provided with corporate information related to the public offering without taking the measures specified in sub-item (a) or (b) below in accordance with the category of the cases set forth in sub-item (a) or (b):
  - (a) if a financial instruments business operator, etc. themselves conduct the survey: the following measures:
    1. the department in charge of the operations related to compliance management (meaning to judge whether the operations of a financial instruments business operator, etc. complies with the laws and regulations (meaning laws and regulations (including foreign laws and regulations), dispositions issued by administrative agencies based on laws and regulations (including similar dispositions based on foreign laws and regulations), or articles of incorporation or other rules of a financial instruments firms association or financial instruments exchange (including articles of incorporation or other rules of an association exchange equivalent to them, which are based on foreign laws and regulations); hereinafter the same applies in this item, Article 153, paragraph (1), item (vii), sub-item (h), and Article 154, item (iv), (h)), and ensuring that the officers and employees comply with the laws and regulations, etc.; the same applies in sub-item (b),

- 1.) has given approval for conducting the survey, the target persons of the survey, and the content of corporate information to be provided to the target persons of the survey, and the timing and the method of the provision are appropriate, in advance;
  2. until the corporate information or the fact that the public offering will be conducted is publicized, or a financial instruments business operator, etc. informs the target persons of the survey that the public offering will not be conducted after the survey has been conducted, the business operator has the target person of the survey promise in advance that they will not conduct purchase and sale or transfer or acquisition for value, or derivative transactions related to specified securities, etc. of the listed companies, etc. prescribed in Article 163, paragraph (1) of the Act (hereinafter referred to as "purchase and sale, etc. of specified securities, etc." in this item) (excluding the cases set forth in any of Article 166, paragraph (6), items (i) through (vi) and item (viii) of the Act, and cases in which purchase and sale, etc. of specified securities, etc. is conducted by the persons provided with the corporate information pursuant to the provisions of this item, by means other than through financial instruments exchange market or over-the-counter securities market; hereinafter the same applies in this item), and that they will not provide the corporate information to persons other than the target persons of the survey (excluding the cases of provision to a person to whom it is essential for the target person of the survey to provide the corporate information in order to conduct operations related to the content of the survey and the person is bound by an obligation to refrain from conducting purchase and sale, etc. of specified securities, etc. and from divulging the corporate information, under a contract with the target person of the survey; or providing the information based on laws and regulations, etc.); and
  3. the financial instruments business operator, etc. has prepared a document stating the name of the person that is in charge responsible for the affairs related to the survey and the person that has actually handled the affairs related to the survey, the name and address of the target person of the survey, the content of corporate information provided to the target person of the survey, and the timing and means of the provision, and has taken necessary measures for preserving the document for five years after its preparation.
- (b) if a third party is to conduct the survey through entrustment or by being provided with corporate information related to the public offering: the following measures:
1. the department in charge of the operations related to compliance

management has given approval for conducting the survey, the fact that the third party, the target person of the survey, and the content of corporate information to be provided to the third party and the target person of the survey, and the timing and method of the provision are appropriate, in advance;

2. the financial instruments business operator, etc., has the third party promise in advance, not to conduct purchase and sale, etc. of specified securities, etc., or provide the corporate information to a person other than the target person of the survey (excluding the case of the third party providing the information for conducting the survey, or a person for whom it is essential to provide the corporate information for conducting operations related to the public offering entrusted by the listed company, etc. or a financial instruments business operator, etc., and the person is bound by an obligation to refrain from conducting purchase and sale, etc. of specified securities, etc. and from divulging the corporate information, under a contract with the third party, or the provision of the information based on laws and regulations, etc.); and
  3. that the financial instruments business operator, etc. has prepared a document stating the name of the person that is in charge responsible for the affairs related to the survey and the person that has actually handled the affairs related to the entrustment to the third party or the provision of the corporate information, the third party's name and address, the content of the corporate information provided to the third party, and the timing and the means of its provision, and has taken necessary measures for preserving the document for five years after its preparation; and
  4. that the financial instruments business operator, etc. has taken necessary measures for preventing the third party from conducting the survey without taking the measures equivalent to those set forth in sub-item (a), 2. and 3.;
- (xvi) an act of conducting purchase and sale or other transactions of securities related to the corporate information on the financial instruments business operator's account based on corporate information (if the purchase and sale or other transactions of securities are purchase and sale of securities, excluding purchase and sale of securities closed by the exercise of options (including rights similar to options which are related to foreign market derivatives transactions similar to the transaction referred to in Article 28, paragraph (8), item (iii), sub-item (c), 1. of the Act)) (limited to an act performed by a financial instruments business operator that conducts securities-related business (limited to a person that conducts type-I financial instruments business) or their officers or employees; and including the act of

- conducting those transactions based on a discretionary transaction contract);
- (xvii) an act of soliciting unspecified and many customers to purchase or sell securities or conduct derivative transactions concerning a specified and small number of issues, or soliciting its entrustment, etc. continuously over a fixed period of time at the same time and in an excessive manner, which is likely to impair the formation of a fair price (for market derivatives transactions, matter equivalent to price) (including an act of having a registered financial institution, financial instruments intermediary service provider, or financial service intermediary that entrusts financial instruments intermediary services to conduct the solicitation; the same applies in the following item);
- (xviii) an act of soliciting unspecified and many customers to purchase or sell securities, conduct derivatives transactions, or solicit its entrustment, etc., continuously over a fixed period of time at the same time and in an excessive manner, for the purpose of taking advantage of fluctuation in the prices, indexes, figures, or amount of consideration based on a customer's transaction and gaining one's own profit or a that of a third party other than the customer;
- (xix) for the purpose of causing fluctuation, pegging, fixing, or stabilizing the quotations or the figures calculated based on the quotations or transaction volumes of the listed financial instruments, etc. on a financial instruments exchange market (meaning financial instruments, financial indicators, or options listed by a financial instruments exchange and excluding cryptoassets, etc. (meaning cryptoassets, etc. prescribed in Article 185-23, paragraph (1) of the Act; the same applies hereinafter) or over-the-counter traded securities on the over-the-counter securities market, or increasing the transaction volumes, an act of conducting purchase, sale, or derivative transactions related to the listed financial instruments, etc. or the over-the-counter traded securities or making an application for them or entrusting, etc. them;
- (xx) knowing that causing fluctuation, pegging, fixing, or stabilizing the quotation or the figures calculated based on the quotations or transaction volumes of the listed financial instruments, etc. on a financial instruments exchange market or over-the-counter traded securities on over-the-counter securities market, or increasing the transaction volumes will result in the formation of manipulative quotations that do not reflect actual market status, to become entrusted, etc. with the purchase, sale, or derivative transactions related to the listed financial instruments, etc. or the over-the-counter traded securities (excluding brokerage for clearing of securities, etc.);
- (xxi) an act of concluding a contract not in writing (excluding a contract concluded by the means of using an electronic data processing system or of using other information and communication technology), which provides that

a financial instruments business operator, etc. by obtaining the customer's consent on the total amount of funds to be used for the purchase and sale of securities or derivative transactions, or for their entrustment, etc. decides the matters on whether the transaction is for purchase or sale, the issue, the number, and the price (in the case of derivatives transactions, matters equivalent to them) for which consent may not be obtained through computer processing or any other method specified in advance when a certain fact occurs, and that the financial instruments business operator, etc. is to execute the transaction in accordance with those decisions;

(xxii) the following acts conducted by a financial instruments business operator set forth in the items of Article 20, paragraph (2) of the Order, in relation to the purchase within a period for stabilizing transactions specified in Article 24, paragraph (1), item (i), sub-item (a) of the Order for share certificates (meaning a share certificate, or a share option certificate representing a share option for which a share certificate is to be issued or transferred at a market value or a fixed value similar to the market value (hereinafter referred to as "market value share option certificate" in this item, the following item, and Article 231, paragraph (1), item (viii)), for a public offering (limited to solicitation of 50 or more persons; hereinafter the same applies in this item) or a secondary distribution (limited to solicitation of 50 or more persons; hereinafter the same applies in this item) of market value share option certificate, or a solicitation for acquisition only for professional investors (limited to the solicitation of 50 or more people; hereinafter the same applies in this item) or a solicitation for selling, etc. only for professional investors (limited to the solicitation of 50 or more persons; hereinafter the same applies in this item) related to the market value share option certificate; or, share certificates, or corporate bonds with a share option wherein the aforementioned share options are granted (hereinafter referred to as the "market value corporate bond certificates with share options" in this item, the following item and Article 231, paragraph (1), item (viii)), in the case of a public offering or secondary distribution, or solicitation for acquisition only for professional investors or solicitation for selling, etc. only for professional investors related to the market value corporate bond certificates with share options), preferred equity securities or investment securities (for a public offering or secondary distribution, solicitation for acquisition only for professional investors or solicitation for selling, etc. only for professional investors of certificates of market value investment equity subscription rights, the investment securities or certificates of market value investment equity subscription rights) issued by an issuer of the securities related to the public offering or secondary distribution, or solicitation for acquisition only for professional investors or

solicitation for selling, etc. only for professional investors specified in the items of Article 20, paragraph (2) of the Order (excluding share option certificates or corporate bond certificates other than market value share option certificates or market value corporate bond certificates with share options, and also preferred equity investment certificates other than those issued with a market value or a fixed value similar to market value and certificates of investment equity subscription rights other than certificates of investment equity subscription rights representing investment equity subscription rights in which investment securities is to be issued at a market value or a fixed value similar to market value (hereinafter referred to as "certificates of market value investment equity subscription rights" in this item, the following item, and Article 231, paragraph (1), item (viii)), which are listed on a financial instruments exchange or which fall under over-the-counter traded securities:

- (a) an act of making a purchase based on the purchase and sale transaction of securities which is closed upon the exercise of the right acquired or granted by the purchase on their own account (limited to a transaction of securities-related derivatives (limited to a transaction specified in Article 28, paragraph (8), item (iii), sub-item (c) of the Act (limited to a transaction related to sub-item (c), 1. of that item) or in Article 28, paragraph (8), item (iv), (c) of the Act (limited to a transaction related to sub-item (c), 1. of that item); hereinafter the same applies in this item); a purchase, etc. prescribed in Article 6-2, paragraph (1), item (xv) of the Order (limited to a purchase); stabilizing transactions prescribed in Article 20, paragraph (1) of the Order to be implemented pursuant to the provisions of Articles 20 through 25 of the Order (hereinafter referred to as "stabilizing transactions", except in sub-item (c)); the purchase provided for in the regulations of a financial instruments exchange (limited to those authorized by the Commissioner of the Financial Services Agency based on the provisions of Article 149, paragraph (1) of the Act), as a purchase that is necessary for facilitating smooth distribution of securities on a financial instruments exchange market established by the financial instruments exchange and that is found not to be based on an investment decision on an individual issue; and the purchase provided for in the regulations of an authorized financial instruments firms association (limited to those authorized by the Commissioner of the Financial Services Agency pursuant to the provisions of Article 67-12 of the Act), as the purchase which is necessary for facilitating smooth distribution of over-the-counter traded securities registered by the authorized financial instruments firms association and which is found not to be based on an investment decision on an individual issue);

- (b) an act of entrusting, etc. purchase to another financial instruments business operator, etc. (excluding an entrustment for brokerage for clearing of securities, etc. (excluding an entrustment for brokerage for clearing of securities, etc. related to purchase conducted on their own account));
- (c) an act of becoming entrusted, etc. with purchase of share certificates or investment securities on the account of the issuer of securities subject to stabilizing transactions prescribed in Article 20, paragraph (1) of the Order (excluding the acceptance of entrustment, etc. of brokerage for clearing of securities);
- (d) an act of becoming entrusted, etc. with purchase on the account of any person set forth in the items of Article 20, paragraph (3) of the Order (excluding becoming entrusted with brokerage for clearing of securities, becoming entrusted, etc. with purchase based on purchase and sale of securities closed upon the exercise of rights acquired or granted by securities-related derivatives transactions, and stabilizing transactions); and
- (e) an act of making a purchase based on a discretionary transaction contract (excluding a purchase based on a purchase and sale transaction of securities which is closed upon the exercise of the right acquired or granted by securities-related derivatives transactions; a purchase provided for in the regulations of a financial instruments exchange (limited to those authorized by the Commissioner of the Financial Services Agency pursuant to the provisions of Article 149, paragraph (1) of the Act), as a purchase which is necessary for facilitating smooth distribution of securities on a financial instruments exchange market established by the financial instruments exchange and which is found not to be based on an investment decision on individual issues; and a purchase provided for in the regulations of an authorized financial instruments firms association (limited to those authorized by the Commissioner of the Financial Services Agency pursuant to the provisions of Article 67-12 of the Act), as a purchase which is necessary for facilitating smooth distribution of over-the-counter traded securities registered by the authorized financial instruments firms association and which is found not to be based on an investment decision on individual issues);
- (xxiii) an act of a financial instruments business operator that has conducted stabilizing transactions or has entrusted, etc. stabilizing transactions (excluding entrustment, etc. of brokerage for clearing of securities, etc.), to become entrusted, etc. with purchase of share certificates, market value share option certificates, market value corporate bond certificates with share options, preferred equity securities, investment securities, or certificates of

- market value investment equity subscription rights issued by the issuer of the securities subject to stabilizing transactions (excluding entrustment, etc. of purchase by a financial instruments business operator, etc., sales to a financial instruments business operator, etc. and brokerage for clearing of securities, etc. related to sales) or to become entrusted, etc. (excluding entrustment, etc. by a financial instruments business operator, etc.) with conducting transactions of securities-related derivatives, etc. related to the purchase and sale of the securities (limited to transactions for acquiring calls or granting put options), in the period between the first stabilizing transaction was conducted and the last day of the period referred to in the preceding item without indicating the fact that stabilizing transactions were conducted for securities subject to the stabilizing transaction;
- (xxiv) if a customer's margin transaction is matched with purchase or sale conducted on their own account (including purchase or sale related to discretionary transaction contracts) and, is closed by a method that does not involve the delivery of money or securities, an act of conducting a matching sale or purchase for the purpose of settling the unsettled account related to the sale or purchase;
- (xxiv)-2 an act of conducting short selling or providing brokerage for entrustment of the short selling, without confirming the provider of the securities related to the settlement measures prescribed in Article 26-2-2, paragraph (1) of the Order (simply referred to as "settlement measures" in the following item, Article 157, paragraph (1), and Article 158-2);
- (xxiv)-3 an act of promising to lend securities as settlement measures, without owning or procuring the securities, or taking the measures necessary for procuring the securities, in advance;
- (xxiv)-4 an act of accepting an entrustment of the sale or to accept an application for brokerage of entrustment of the sale, of the securities (limited to securities designated by the Commissioner of the Financial Services Agency which are prescribed in Article 26-2-2, paragraph (1) of the Order (including as applied mutatis mutandis pursuant to paragraphs (6) and (7) of that Article)) related to general margin trading (meaning a margin transaction other than that in which a customer is able to borrow money or securities necessary for settling margin transactions by utilizing the clearing systems of a financial instruments exchange market established by a financial instruments exchange or the clearing systems of the over-the-counter securities market established by authorized financial instruments firms association), without owning or procuring the securities, or taking the measures necessary for the procuring the securities;
- (xxiv)-5 an act of clarifying the fact that the sale of securities (limited to securities which have not been deposited; hereinafter the same applies in



- this item) does not fall under short selling to financial instruments exchange, authorized financial instruments firms association or financial instruments business operator, etc. that obtained the authorization referred to in Article 30, paragraph (1) of the Act, or the members, etc. of a financial instruments exchange, the members of authorized financial instruments firms association, or customers of a financial instruments business operator, etc. that obtained the authorization referred to in that paragraph, without confirming the management method of the securities related to the sales with the counterparty to the entrustment of the sale or the counterparty to the application of brokerage for the entrustment of sale (if the sale falls under any of the transactions specified in Article 9-3, paragraph (1), items (vi) through (xvi), paragraph (2), items (iii) through (v), or paragraph (3), item (iii) or (iv) of the Cabinet Office Order on Restrictions on Securities Transactions (Cabinet Office Order No. 59 of 2007; referred to as the "Cabinet Office Order on Restrictions on Transactions" in Article 123, paragraph (1), items (xxvi) and (xxvii) and Article 158-3), an act of conducting the sale, or providing brokerage of the entrustment of the sale without confirming the management method of securities subject to the transaction);
- (xxv) an act of conducting any act set forth in Article 2, paragraph (8), items (i) through (iii) of the Act (excluding purchase of the securities and intermediation, brokerage, or agency services for sale of the securities, and intermediation, brokerage, or agency services for entrustment of sales of the securities on a financial instruments exchange market or a foreign financial instruments market) and an act set forth in item (ix) of that paragraph, without explaining to a customer (excluding professional investors) that the following documents related to securities (referred to as "foreign company statements, etc." in Article 275, paragraph (1), item (xvi)) are to be prepared in English, or without delivering a document stating that fact (including provision of the matters required to be stated in the document by a method equivalent to the method of making them available for inspection set forth in Article 80, paragraph (1), item (v) or (vi); hereinafter the same applies in this item and Article 275, paragraph (1), item (xvi)) (excluding the cases in which the explanation has been given to the customer and the document was delivered to the customer within one year before the day when the act is conducted, or the registered financial institution, financial instruments intermediary service provider, or financial service intermediary that entrusts financial instruments intermediary service has given the explanation and delivered the document to the customer):
- (a) a foreign company statement prescribed in Article 5, paragraph (8) of the Act (including as applied *mutatis mutandis* pursuant to Article 27 of the

- Act);
- (b) a foreign company report prescribed in Article 24, paragraph (8) of the Act (including as applied mutatis mutandis pursuant to Article 27 of the Act);
  - (c) a foreign company quarterly securities report prescribed in Article 24-4-7, paragraph (6) of the Act (including as applied mutatis mutandis pursuant to Article 27 of the Act);
  - (d) a foreign company semiannual securities report prescribed in Article 24-5, paragraph (7) of the Act (including as applied mutatis mutandis pursuant to Article 27 of the Act);
  - (e) a foreign company confirmation document prescribed in Article 1, item (xviii)-4 of the Cabinet Office Order on Disclosure of Corporate Affairs;
  - (f) a foreign company internal control report as defined in Article 2, item (iii)-2 of the Cabinet Office Order on the System for Ensuring the Appropriateness of Documents on Financial Calculation and Other Information (Cabinet Office Order No. 62 of 2007);
  - (g) a foreign company extraordinary report prescribed in Article 24-5, paragraph (15) of the Act (including as applied mutatis mutandis pursuant to Article 27 of the Act);
  - (h) a document for correcting any of the documents set forth in sub-items (a) through (g), which is written in English; and
  - (i) a report on the status of foreign parent company, etc. prescribed in Article 19-4, paragraph (2) of the Cabinet Office Order on Disclosure of Corporate Affairs;
- (xxvi) with regard to over-the-counter derivatives transactions or their entrustment, etc. (limited to those related to a transaction in which a margin or other security deposits are to be deposited), an act of soliciting a customer (excluding professional investors; if the over-the-counter derivatives transactions are other than over-the-counter financial futures trading or cryptoasset-related over-the-counter derivatives transactions, limited to an individual) to conduct a transaction that matches with sale or purchase of the over-the-counter transaction of financial futures conducted by the customer or other transactions equivalent to them (meaning transactions to reduce losses which may be incurred from those transactions), or other acts similar to them;
- (xxvii) if at the time of concluding a contract related to a currency-related derivatives transaction (meaning a currency-related derivatives transaction prescribed in Article 123, paragraph (1), item (xxi)-2 and excluding a transaction conducted for settlement purposes; hereinafter the same applies in this item, the following item, and paragraphs (4) and (6) through (10)), the amount of the margin, etc. (meaning a customer margin or any other security

deposit; the same applies in this item, the following item, item (xxviii)-2, sub-item (c) and paragraphs (3) through (5)) that a customer (limited to an individual (excluding, if an operating partner, etc. (meaning an operating partner, etc. that satisfies the requirements set forth in Article 10, paragraph (1), item (xxiv), sub-item (b), 1. of the Cabinet Office Order on Definitions under Article 2 of the Financial Instruments and Exchange Act (meaning an operating partner, etc. prescribed in item (xxiii) of that paragraph; hereinafter the same applies in this item); hereinafter the same applies in this item, the following item, and paragraphs (6) through (9)) has deposited with a depository for margins, etc. (meaning a financial instruments business operator, etc., or financial instruments exchange or financial instruments clearing organization (including an organization equivalent to them in a foreign country); hereinafter the same applies in this item and the following item) (if operational rules of a financial instruments exchange operating the financial instruments exchange market in which the currency-related derivatives transaction is conducted (meaning the operational rules prescribed in Article 117, paragraph (1) of the Act; hereinafter the same applies in this item and Article 123, paragraph (1), item (xxi)-2) and the business rules of the financial instruments clearing organization that takes over, novates, or in any other way bears the obligations arising from the currency-related derivatives transaction (meaning the business rules prescribed in Article 156-7, paragraph (1) of the Act; hereinafter the same applies in this item and Article 123, paragraph (1), item (xxi)-2) provide that for a margin, etc. related to a currency-related derivatives transaction or a margin, etc. related to a derivatives transaction other than a currency-related derivatives transaction (hereinafter referred to as a "non-currency-related derivatives transaction" in this item and Article 123, paragraph (1), item (xxi)-2) deposited by the same customer, if there is a shortfall in one of the margins, etc., the shortfall is to be compensated by the other margin, etc. (limited to cases in which a customer's consent has been obtained for the compensation of a shortfall with the customer's written consent or by a means equivalent to any of the means prescribed in the items of Article 57-3, paragraph (1) and paragraph (2) of that Article (limited to cases in which the customer's consent is obtained in accordance with the provisions of Article 15-23 of the Order; the same applies in the following item and Article 123, paragraph (1), item (xxi)-2)), the amount arrived at by adding the amount of profit to be received by the customer when the non-currency-related derivatives transaction conducted by the customer is settled to the amount of margin, etc. related to non-currency-related derivatives transaction deposited to the depository of margins, etc. by the customer, and by adding or deducting the amount arrived at by deducting the amount

calculated based on the calculation method of the amount of loss to be incurred by the customer when the customer settles the non-currency-related derivatives transaction and the amount calculated based on the method specified in operational rules or business rules as the calculation method for the amount necessary for the customer to continue the contract related to the non-currency-related derivatives transaction (referred to as the "amount of profit or loss from non-currency-related derivatives transactions" in the following item)) to the margin, etc. related to the currency-related derivatives transaction to the amount of margin, etc. related to the currency-related derivatives transaction or the amount obtained by deducting that amount of loss to be incurred by the customer from settling the currency-related derivatives transaction (referred to as the "actual deposit amount" in the following item, item (xxviii)-2, sub-item (c), and paragraph (6)) falls short of the required deposit amount at the time of a contract is concluded, an act of continuing the contract without having the customer deposit the shortfall amount with the depository for margins, etc. immediately after concluding the contract;

(xxviii) if the actual deposit amount of the margin, etc. related to a currency-related derivatives transaction at a fixed hour each business day (if consent has been obtained for covering a shortfall referred to in the preceding item by a written consent by a customer or by a method equivalent to any of the methods prescribed in the items of Article 57-3, paragraph (1) and paragraph (2) of that Article, and the amount of profits or losses from a non-currency-related derivatives transaction becomes less than zero, the amount obtained by adding the absolute value of the amount of profits or losses for a non-currency-related derivatives transaction to the actual deposit amount) is short of the deposit amount required to be maintained, an act to continue the contract related to the currency-related derivatives transaction without promptly having the customer related to the currency-related derivatives transaction deposit the shortfall amount with the depository for margins, etc. (excluding an act set forth in the preceding item);

(xxviii)-2 an act of concluding a financial instruments transaction contract related to specified currency-related over-the-counter derivatives transactions (meaning over-the-counter derivatives transactions subject to currencies, which are transactions set forth in Article 2, paragraph (22), item (i) of the Act (limited to those in which the parties promise in advance that, when the due date of the transaction arrives, after settling the transaction, they will close the transactions for which the type of currency, price, and number of cases, or the volume of transaction are the same as the settled transaction, or that they will substantially extend the due date of the transaction by extending the due date or by other means without settling the

- transaction) or transactions set forth in item (ii) of that paragraph (limited to those in which the parties promise in advance that, when the due date of the transaction arrives, after settling the transaction, they will close the transactions for which the type of financial index, figure, and number of cases or the volume of transaction are the same as the settled transaction, or that they will substantially extend the due date of the transaction by extending the due date or by other means without settling the transactions); hereinafter the same applies in this item) without publicizing the following matters with regard to the specified currency-related over-the-counter derivatives transactions on the base point of time (meaning the point of time designated by the Commissioner of the Financial Services Agency) of that month by no later than the 20th of the following month, by using the internet or other means that enables easy access for investors at all times:
- (a) among the amounts of the specified currency-related over-the-counter derivatives transactions related to sale or purchase of currency (meaning the amount arrived at by multiplying the currency value related to the specified currency-related over-the-counter derivatives transactions or the figure of the financial index by the number or volume of the transactions; the same applies in sub-item (c)), the proportion of the amount for which the amount of loss does not due to a cover deal in the amount arrived at by deducting any of the smaller amount from any of the amount that is not smaller;
  - (b) the proportion of the amount of cover deal conducted on each financial instruments exchange market or foreign financial instruments market in the amount of cover deals related to specified currency-related over-the-counter derivatives transactions (meaning the amount arrived at by multiplying the currency value, or the figure of the financial index related to the cover deal by the number or volume of that deal; hereinafter the same applies in sub-item (b)), or the proportion of the amount of cover deal conducted in accordance with the credit rating of other business operators;
  - (c) the proportion of the actual deposit amount of the margins, etc. related to specified currency-related over-the-counter derivatives transactions among the amount of the specified currency-related over-the-counter derivatives transactions;
  - (xxix) if at the time of concluding a contract related to a securities-related over-the-counter derivatives transaction (meaning any of the following transactions, and excluding those conducted for settlement purposes; hereinafter the same applies in this item, the following item, and paragraphs (20) through (22)), the amount arrived at by adding the amount of profit to be received by a customer when the securities-related over-the-counter derivatives transaction is settled to the amount of margin, etc. deposited by a

customer (limited to an individual (excluding operating partners, etc. when an operating partner, etc. that satisfies the requirements set forth in Article 10, paragraph (1), item (xxiv), sub-item (b), 1. of the Cabinet Office Order on Definitions under Article 2 of the Financial Instruments and Exchange Act conducts securities-related over-the-counter derivatives transactions as an operating partner, etc. (meaning an operating partner, etc. prescribed in item (xxiii) of that paragraph; hereinafter the same applies in this item) with a depository for margins, etc. (meaning a financial instruments business operator, etc. or financial instruments clearing organization (including an equivalent organization in a foreign country); hereinafter the same applies in this item and items (xvii) through (xix)), or the amount arrived at by deducting the amount of loss to be incurred by by a customer when the securities-related over-the-counter derivatives transaction is settled from that amount (referred to as the "actual deposit amount" in the following item and paragraph (20)) falls short of the required deposit amount at the time a contract is concluded, an act of continuing the contract without having the customer deposit the shortfall amount with a depository for margins, etc. immediately after concluding the contract:

- (a) a transaction set forth in Article 28, paragraph (8), item (iv), sub-item (a) of the Act (excluding the transaction in which a customer promises to sell securities that they own, and lends the securities to a financial instruments business operator, etc. who is to be the counterparty to the sale, at a fixed time in the future);
  - (b) a transaction set forth in Article 28, paragraph (8), item (iv), (b) of the Act;
  - (c) a transaction set forth in Article 28, paragraph (8), item (iv), sub-item (c) of the Act (limited to the transaction that is closed by exercising the right prescribed in sub-item (c) of that item is a transaction set forth in sub-item (a) or (b) of that item, or a transaction set forth in sub-item (c), 1. of that item (excluding a transaction in which a customer grants a financial instruments business operator, etc. an option to close the purchase of securities that the customer owns, and lends the securities to the financial instruments business operator, etc.)); or
  - (d) a transaction set forth in Article 28, paragraph (8), item (iv), (d) of the Act;
- (xxx) if the actual deposit amount of the margin, etc. related to a securities-related over-the-counter derivatives transaction falls short of the required deposit amount for maintenance at a fixed hour for each business day, an act of continuing the contract related to the securities-related over-the-counter derivatives transaction without promptly having a customer of the securities-related over-the-counter derivatives transaction deposit the shortfall amount

- with a depository for margins, etc. (excluding an act set forth in the preceding item);
- (xxxix) if an entrusting financial instruments business operator is to become an underwriter of securities issued by a person that owes a debt related to borrowings to the entrusting financial instruments business operator's parent corporation, etc. or subsidiary corporation, etc. (excluding securities set forth in Article 33, paragraph (2), item (i) of the Act and securities set forth in Article 2, paragraph (1), item (xvii) of the Act, which have the nature referred to in items (i) and (ii) of that paragraph) or an underwriter of the treasury shares to be disposed of, and the registered financial institution or any of its officers (if the officer is a corporation, including a member that is to perform the corporation's duties) or employees knowing the fact that the proceeds from those securities (if the entrusting financial instruments business operator is to perform an act set forth in paragraph (6), item (iii) of that Article, including securities obtained by the exercise of share options prescribed in that item; hereinafter the same applies in this item) will be appropriated for payment of the debt, conducts the act set forth in paragraph (11), item (i) of that Article related to the securities (limited to an act related to a case in which the securities are to be sold in the period that commences from the day when the entrusting financial instruments business operator becomes the underwriter until the day on which six months have passed) or item (iii) of that paragraph, without informing the customer of the circumstances (excluding the cases in which the customer has been given an explanation of the fact Article 150, item (iv) of this Cabinet Office Order (limited to those related to (a) of that item)); and
- (xxxix) an act of conducting purchase and sale or any other transaction of mortgage securities, etc. by means other than indorsement.
- (xxxix) in cases of underwriting securities (limited to acts of conducting those set forth in Article 2, paragraph (6), item (iii) of the Act), to conduct the following acts:
- (a) with regard to soliciting of the exercise of share options as defined in Article 2, paragraph (6), item (iii) of the Act, an act of conveying false information to the person that acquired share option certificates prescribed in that item; and
  - (b) an act of soliciting a person that acquired share option certificates prescribed in Article 2, paragraph (6), item (iii) of the Act to exercise share options prescribed in that item by providing a conclusive assessment of a matter that is uncertain or information that may mislead the customer into believing that a matter that is uncertain is actually certain.
- (xxxix) when entrusted to act as an intermediary for concluding a discretionary investment contract by a financial instruments business operator, etc. that

- conducts investment management business, performing the following acts without clearly indicating that fact and the trade name or name of the financial instruments business operator, etc. to the customer in advance:
- (a) soliciting the conclusion of an investment advisory contract;
  - (b) based on an investment advisory contract with the customer, providing advice related to the subject of transaction to be conducted by the financial instrument transaction operator, etc. as investment when the customer concludes a discretionary investment contract with the financial instrument transaction operator, etc.;
  - (c) soliciting the conclusion of a contract which provides for conducting intermediary services for concluding a discretionary investment contract; and
  - (d) intermediating the conclusion of a discretionary investment contract with the financial instrument transaction operator, etc. as the counterparty.
- (xxxv) an act of recommending a customer (excluding a professional investor), concerning acceptance of entrustment, etc. of commodity-related market derivatives transactions, to make the volume and due date of a sale or purchase of commodity-related market derivatives transactions, and other transactions equivalent to that conducted by the customer and corresponding transactions (meaning a transaction which reduces the loss that may arise from those transactions) the same;
- (xxxvi) with regard to corresponding transactions to the sale or purchase of commodity-related market derivatives transactions and other transactions equivalent to that (meaning a transaction which reduces the loss that may arise from those transactions), for which the volume and due date have not been made the same as those transactions, to becoming entrusted, etc. with those transactions from a customer (excluding a professional investor) that does not understand the transactions;
- (xxxvii) being entrusted, etc. with commodity-related market derivatives transactions, intentionally matching the transaction related to the entrustment, etc. with a transaction on one's own account, and conducting a transaction which results in damaging the interest of a customer;
- (xxxviii) in seeking to become entrusted, etc. with commodity-related market derivatives transactions from a customer, in spite of a financial instruments business operator, etc. intentionally conducting a transaction that matches a customer's transaction with a transaction conducted on their own account for a transaction whose commodities or financial index related to the commodities concerning the entrustment, etc. and the due date are the same (hereinafter referred to as "specified transaction" in this item), an act of accepting the entrustment, etc. without explaining to the customer related to the entrustment, etc. the following matters in advance;



- (a) the fact that they are conducting a specified transaction; and
  - (b) the fact that a conflict of interest may arise between the customer related to the entrustment, etc. and the financial instruments business operator, etc. if a transaction related to the entrustment, etc. and a transaction conducted on the own account of the financial instruments business operator, etc. are matched as a result of the specified transaction.
- (xxxix) at the time of concluding a contract related to a specified currency-related over-the-counter derivatives transaction (meaning a specified currency-related over-the-counter derivatives transaction prescribed in item (xxviii)-2 and excluding a transaction conducted for settlement purposes; hereinafter the same applies in this item, the following item, and paragraphs (30) through (34)), a customer (excluding an individual (excluding an operating partner, etc. (meaning an operating partner, etc. that satisfies the requirements set forth in Article 10, paragraph (1), item (xxiv), sub-item (b), 1. of the Cabinet Office Order on Definitions under Article 2 of the Financial Instruments and Exchange Act) (meaning an operating partner, etc. prescribed in item (xxiii) of that paragraph; hereinafter the same applies in this item) that conducts a specified currency-related over-the-counter derivatives transaction as an operating partner, etc.), a financial instruments business operator, etc. or a person that conducts over-the-counter derivatives transactions on a regular basis in a foreign country; hereinafter the same applies in this item, the following item, and paragraphs (30) through (33)) if the amount of margin, etc. (meaning a customer margin or other security deposits; the same applies in this item and paragraphs (27) through (29)) that has been deposited with a depository for margins, etc. (meaning a financial instruments business operator, etc. or financial instruments clearing organization (including an equivalent organization in a foreign country); hereinafter the same applies in this item and the following item) is added to the amount of profit that would arise to the customer from settling that specified currency-related over-the-counter derivatives transaction or the amount of loss that the customer incurs from settling the specified currency-related over-the-counter derivatives transaction (referred to as the "actual deposit amount" in this item and paragraph (30)) is deducted from that amount is short of the required deposit amount at the time a contract is concluded, an act of continuing the contract without having the customer deposit the shortfall amount with the depository for margins, etc. immediately after concluding the contract;
- (xl) if the actual deposit amount of the margin, etc. related to a specified currency-related over-the-counter derivatives transaction at a fixed hour each business day is short of the required deposit amount for maintenance, an act of continuing the contract related to the specified currency-related

- over-the-counter derivatives transaction without promptly having the customer related to the specified currency-related over-the-counter derivatives transaction deposit the shortfall amount with the depository for margins, etc. (excluding an act set forth in the preceding item).
- (xli) in concluding or soliciting the conclusion of a cryptoasset-related contract (meaning the contract prescribed in Article 43-6, paragraph (2) of the Act; the same applies in the following item), or in placing an advertisement, etc. regarding the financial instruments business, etc. that the financial instruments business operator, etc. conducts (limited to the business related to acts of financial instruments transaction for cryptoassets; the same applies in item (xlvi), Article 123, paragraph (1), item (xxxi), item (xxxii), and item (xxxiv), Article 275, paragraph (1), item (xxxiii), and Article 281, item (xiii)), an act of making a representation concerning the matters set forth in Article 78, items (v) through (vii) or item (xiii), sub-items (a) through (e), without indicating reasonable grounds that support those matters to customers (excluding financial instruments business operators, etc. (limited to those conducting the acts of financial instruments transaction for cryptoassets on a regular basis) and cryptoasset exchange service providers, etc. (meaning the cryptoasset exchange service providers prescribed in Article 2, paragraph (8) of the Payment Services Act and foreign cryptoasset exchange service providers prescribed in paragraph (9) of that Article; the same applies hereinafter); the same applies in the following item);
- (xlii) an act of soliciting a customer to conclude a cryptoasset-related contract without clearly and accurately indicating the matters set forth in Article 76, item (iii), sub-items (a) and (b) (when delivering a document or using other means equivalent to that, including not indicating the letters or numbers representing those matters in a size is not substantially different from the size of the largest letters or numbers representing the matters other than those matters);
- (xliii) while knowing that a customer is likely to conduct a derivatives transaction in violation of Article 185-22, paragraph (1), Article 185-23, paragraph (1), or Article 185-24, paragraph (1) or (2) of the Act (including a transaction conducted in relation to an act violating any of these provisions), an act of conducting the transaction or becoming entrusted, etc. with the transaction;
- (xliv) an act of conducting a derivatives transaction for cryptoassets, or filing an application or becoming entrusted, etc. with a derivatives transaction for cryptoassets, for the purpose of causing fluctuations in the quotations of cryptoassets or the figures calculated based on the quotations or transaction volumes or increasing the transaction volumes;
- (xlv) an act of becoming entrusted, etc. with a derivatives transaction for

- cryptoassets (excluding brokerage for clearing of securities, etc.) while knowing that this will result in formation of manipulative quotations not reflecting actual market status through causing fluctuations in the quotations of cryptoassets or the figures calculated based on the quotations or transaction volumes, or through increasing the transaction volumes;
- (xlvi) an act of providing material information concerning cryptoassets, etc. related to purchase and sale or other transactions of securities that the financial instruments business operator, etc. uses or intends to use as the target of financial instruments business, etc. they conduct or concerning the financial instruments business operator, etc., which is found to influence customers' decision on purchase and sale or other transactions of securities related to cryptoassets, etc. (excluding cases where the material information has been made readily available to all customers of the financial instruments business, etc. conducted by the financial instruments business operator, etc.) for the purpose of gaining their own profit or profit of the third party (excluding an act that is necessary for proper and reliable implementation of financial instruments business, etc. to be conducted by the financial instruments business operator, etc.);
- (xlvii) at the time of concluding a contract related to a cryptoasset-related derivatives transaction (meaning a cryptoasset-related derivatives transaction prescribed in Article 123, paragraph (1), item (xxxv), and excluding those conducted for settlement purposes; hereinafter the same applies in this item, the following item, paragraph (38), and paragraphs (40) through (44)) where the amount of margin, etc. (meaning a customer margin or any other security deposit; the same applies in the following item and paragraphs (37) through (39)) that a customer (limited to an individual (if an operating partner, etc. (meaning an operating partner, etc. prescribed in Article 10, paragraph (1), item (xxiii) of the Cabinet Office Order on Definitions under Article 2 of the Financial Instruments and Exchange Act; hereinafter the same applies in this item) who falls under the requirements listed in item (xxiv), sub-item (b), 1. of that paragraph conducts cryptoasset-related derivatives transactions as an operating partner, etc., excluding the operating partner, etc.); hereinafter the same applies in this item, the following item, and paragraphs (40) through (43)) has deposited with a depository for margins, etc. (meaning a financial instruments business operator, etc., or financial instruments exchange, or financial instruments clearing organization (including an equivalent organization in a foreign country); hereinafter the same applies in this item and the following item) plus the amount of profits that would arise to the customer from settling the cryptoasset-related derivatives transaction or minus the amount of loss to be incurred by the customer from settling the cryptoasset-related derivatives

transaction (referred to as the "actual deposit amount" in the following item and paragraph (40)) is short of the required deposit amount at the time a contract is concluded, an act of continuing the contract without having the customer deposit the shortfall amount with the depository for margins, etc. immediately after concluding the contract;

(xlviii) when the actual deposit amount of margin, etc. related to a cryptoasset-related derivatives transaction at a fixed hour each business day becomes short of the required deposit amount for maintenance, an act of continuing the contract related to the cryptoasset-related derivatives transaction without promptly having the customer related to the cryptoasset-related derivatives transaction deposit the shortfall amount with the depository for margins, etc. (excluding an act set forth in the preceding item);

(xlix) at the time of concluding a contract related to a specified cryptoasset-related over-the-counter derivatives transaction (meaning an over-the-counter derivatives transaction for cryptoassets that is a transaction set forth in Article 2, paragraph (22), item (i) of the Act (limited to the transaction in which the parties to the transaction promise in advance that after settling the transactions they will close a transaction with the same type, price, and number or volume of cryptoassets as the transaction that was settled, or substantially extend the due date of the transaction by extending the due date or by other methods without settling the transaction, when the due date of the transaction arrives) or a transaction set forth in item (ii) of that paragraph (limited to the transaction in which the parties to the transaction promise in advance that after settling the transaction they will close a transaction with the same type, figure, and number or volume of financial index as the transaction that was settled, or substantially extend the due date of the transaction by extending the due date or by other methods without settling the transaction, when the due date of the transaction arrives) and excluding transactions conducted for settlement purposes; hereinafter the same applies in this item, the following item, and paragraphs (50) through (54)), when the amount of profit that arises to the customer from settling the specified cryptoasset-related over-the-counter derivatives transaction is added to the amount that a customer (excluding an individual (excluding an operating partner, etc. (meaning an operating partner, etc. prescribed in Article 10, paragraph (1), item (xxiii) of the Cabinet Office Order on Definitions under Article 2 of the Financial Instruments and Exchange Act; hereinafter the same applies in this item) that satisfies the requirements set forth in item (xxiv), sub-item (b), 1. of that paragraph who conducts cryptoasset-related over-the-counter derivatives transactions as an operating partner, etc.), financial instruments business operator, etc., or a person who conducts over-the-counter

- derivatives transactions on a regular basis in a foreign country; hereinafter the same applies in this item, the following item, and paragraphs (50) through (53)) has deposited with a depository for margins, etc. (meaning a financial instruments business operator, etc. or financial instruments clearing organization (including an equivalent organization in a foreign country); hereinafter the same applies in this item and the following item) or the amount arrived at by deducting the amount of loss that the customer incurs from settling the specified cryptoasset-related over-the-counter derivatives transaction (referred to as the "actual deposit amount" in the following item and paragraph (50)) is short of the required deposit amount at the time a contract is concluded, an act of continuing the contract without having the customer deposit the shortfall amount with the depository for margins, etc. immediately after concluding the contract; and
- (1) when the actual deposit amount of margin, etc. related to a specified cryptoasset-related over-the-counter derivatives transaction at a fixed hour each business day is short of the required deposit amount for maintenance, an act of continuing the contract related to the specified cryptoasset-related over-the-counter derivatives transaction without promptly having the customer related to the specified cryptoasset-related over-the-counter derivatives transaction deposit the shortfall amount with the depository for margins, etc. (excluding an act set forth in the preceding item).
  - (2) The provisions of items (xix) and (xx) of the preceding paragraph do not apply to the series of purchases and sales of securities, etc. or their entrustment, etc., if the series of purchases and sales of securities, etc. (meaning purchases and sales of securities, etc. prescribed in Article 159, paragraph (2) of the Act; hereinafter the same applies in this paragraph, Article 231, paragraph (2) and Article 275, paragraph (3)) are to be conducted on a financial instruments exchange market or an over-the-counter securities market in order to facilitate the public offering of securities (limited to a public offering made to 50 or more persons), the solicitation for acquisition only for professional investors (limited to a solicitation made to 50 or more persons), the secondary distribution of securities (limited to a secondary distribution made to 50 or more persons) or the solicitation for selling, etc. only for professional investors (limited to a solicitation made to 50 or more persons).
  - (3) The margin, etc. referred to in paragraph (1), items (xxvii) and (xxviii) may be satisfied by securities.
  - (4) The substitute price of securities when all or part of the deposit of margin, etc. that should be received by a financial instruments business operator, etc. is substituted by securities pursuant to the provisions of the preceding paragraph is the amount specified in the following items in accordance with the category of currency-related derivatives transaction set forth in each of those items:

- (i) currency-related market derivatives transaction prescribed in Article 123, paragraph (3): the amount prescribed in Article 68, paragraph (2) of the Cabinet Office Order on Financial Instruments Exchanges (Cabinet Office Order No. 54 of 2007); or
  - (ii) currency-related over-the-counter derivatives transaction prescribed in Article 123, paragraph (4) or currency-related foreign market derivatives transaction prescribed in paragraph (5) of that Article: the amount prescribed in Article 68, paragraph (2) of the Cabinet Office Order on Financial Instruments Exchanges in any one of the financial instruments exchanges.
- (5) If all or part of the margin, etc. referred to in paragraph (1), item (xxvii) or (xxviii) is to be substituted by corporate bonds, etc. as defined in Article 2, paragraph (1) of the Act on Book-Entry Transfer of Corporate Bonds and Shares which are handled by a book-entry transfer institution as defined in paragraph (2) of that Article (hereinafter referred to as "book-entry transfer corporate bonds, etc." in this paragraph) pursuant to the provisions of paragraph (3) and the financial instruments business operator, etc. is to have the information related to the book-entry transfer corporate bonds, etc. stated or recorded in the holdings column (meaning the holding column prescribed in that Act)) in the account of the financial instruments business operator, etc., the holdings column must be separated from the column for transactions by that financial instruments business operator, etc.
- (6) The actual deposit amount referred to in paragraph (1), item (xxvii) or (xxviii), the required deposit amount at the time a contract is concluded referred to in item (xxvii) of that paragraph and the required deposit amount for maintenance referred to in item (xxviii) of that paragraph may be calculated in aggregate for each customer concerning multiple currency-related derivatives transactions. In applying the provisions of item (xxvii) of that paragraph in such a case, the term "the currency-related derivatives transaction" in that item is deemed to be replaced with "currency-related derivatives transaction being conducted by the customer" and the term "adding...., or deducting" is deemed to be replaced with "adding...".
- (7) The phrase "required deposit amount at the time a contract is concluded" as used in paragraph (1), item (xxvii) and the preceding paragraph means the amount arrived by multiplying by 4/100 the amount specified in the following items in accordance with the category of cases set forth in each of those items, or the amount arrived at by adjusting the amount to reflect foreign exchange rate fluctuation; provided, however, that when the currency-related derivatives transaction set forth in each of those items is a transaction in which a customer is to pay a certain amount of money if an option related to those transactions is exercised, in making calculations for the transaction, this

means the amount of the money:

- (i) when calculating only currency-related derivatives transaction that the customer seeks to conduct: the amount of the currency-related derivatives transaction (if the currency-related derivatives transaction is any of the following transaction, zero; the same applies in item (i) of the following paragraph):
    - (a) a transaction set forth in Article 2, paragraph (21), item (iii) of the Act (limited to the transaction in which the customer will become the party to acquire the option);
    - (b) a transaction set forth in Article 2, paragraph (22), item (iii) or (iv) of the Act (limited to the transaction in which the customer is to become the party to acquire the option); and
    - (c) a foreign market derivatives transaction that is similar to a transaction set forth in (a); and
  - (ii) when calculation is to be made in aggregate for another currency-related derivatives transaction being conducted at the time of concluding a contract related to the currency-related derivatives transaction that the customer seeks to conduct and the currency-related derivatives transactions: the amount arrived at by deducting the amount for currency-related derivatives transaction related to any of the transactions set forth in sub-item (a) through (c) of the preceding item from the total amount of those currency-related derivatives transactions.
- (8) The phrase "required deposit amount for maintenance" as used in paragraph (1), item (xxviii) and paragraph (6) means the amount arrived at by multiplying by 4/100 the amount specified in the following items in accordance with the category of cases set forth in each of those items multiplied, or the amount arrived at by adjusting the amount to appropriately reflect the foreign exchange rate fluctuation (the amount of the money, if the amount exceeds the amount of money required for the performance of the obligation by the customer for currency-related derivatives transactions referred to in each of those items); provided, however, that if a customer is to pay a certain amount of money when the currency-related derivatives transaction referred to in each of those items if an option related to those transactions is exercised, this means the amount of the money in making calculations for the transaction:
- (i) when calculation is to be made for each currency-related derivatives transaction conducted by the customer: the amount for each of the currency-related derivatives transaction; and
  - (ii) when calculation is to be made in aggregate for multiple currency-related derivatives transactions: the amount arrived by deducting the amount of the currency-related derivatives transactions related to transactions set forth in any of item (i), sub-items (a) through (c) of the preceding paragraph from the

- total amount of the multiple currency-related derivatives transactions.
- (9) In the case set forth in paragraph (7), item (ii), or item (ii) of the preceding paragraph, when a customer conducts purchase, etc. of another currency through conducting sale, etc. of one currency and conducts purchase, etc. of that one currency through conducting sale, etc. of the other currency, the amount that is not smaller among the amounts of the currency-related derivatives transactions related to the purchase or sale may be used as the amount of currency-related derivatives transactions related to that one currency or that other currency.
- (10) The phrase "amount of currency-related derivatives transactions" as used in the preceding three paragraphs means the amount specified in the following items in accordance with the category of currency-related derivatives transaction set forth in each of those items:
- (i) currency-related derivatives transaction other than the following currency-related derivatives transaction: the amount arrived at by multiplying the currency value or the figure of the financial index, related to the currency-related derivatives transaction by the number or volume of that transaction:
    - (a) transaction set forth in Article 2, paragraph (21), item (iii) of the Act;
    - (b) transaction set forth in Article 2, paragraph (22) item (iii) or (iv) of the Act; or
    - (c) a foreign market derivatives transaction that is similar to the transaction set forth in sub-item (a);
  - (ii) the currency-related derivatives transaction set forth in the following sub-items: the amount arrived at by multiplying the currency value or the figure of the financial index, related to any of the following transactions specified in accordance with the category of the currency-related derivatives transaction set forth as follows by the number or volume of the transaction:
    - (a) transaction set forth in Article 2, paragraph (21), item (iii) of the Act: the transaction set forth in sub-item (a) or (b) of that item which is closed by exercising the right prescribed in that item;
    - (b) transaction set forth in Article 2, paragraph (22) item (iii) or (iv) of the Act: the transaction set forth in item (iii), (a) or (b) which is prescribed in item (iii) or (iv) of that paragraph, or the transaction prescribed in item (iv) of that paragraph; or
    - (c) a foreign market derivatives transaction that is similar to a transaction set forth in sub-item (a): the transaction similar to the transaction specified in sub-item (a).
- (11) The term "sale, etc. of currency" as used in paragraph (9) means any of the following transactions:
- (i) a sale of currency;
  - (ii) transaction set forth in Article 2, paragraph (21), item (ii) of the Act



- (limited to the transaction in which the customer is to become the party to pay money if the actual figure exceeds the agreed figure);
  - (iii) transaction set forth in Article 2, paragraph (22), item (ii) of the Act (limited to the transaction in which the customer is to become the party to pay money if the actual figure exceeds the agreed figure); or
  - (iv) a foreign market derivatives transaction (limited to the transaction that is similar to the transaction set forth in item (ii)).
- (12) The term "purchase, etc. of currency" as used in paragraph (9) means any of the following transactions:
- (i) a purchase of currency;
  - (ii) transaction set forth in Article 2, paragraph (21), item (ii) of the Act (limited to the transaction in which the customer is to become the party to receive money if the actual figure exceeds the agreed figure);
  - (iii) transaction set forth in Article 2, paragraph (22), item (ii) of the Act (limited to the transaction in which the customer is to become the party to receive money if the actual figure exceeds the agreed figure); or
  - (iv) a foreign market derivatives transaction (limited to the transaction that is similar to the transaction set forth in item (ii)).
- (13) The term "sale, etc. of currency" as used in paragraph (1), item (xxviii)-2, (a) means any of the following transactions:
- (i) a sale of currency; or
  - (ii) transaction set forth in Article 2, paragraph (22), item (ii) of the Act (limited to the transaction in which the customer is to become the party to pay money if the actual figure exceeds the agreed figure).
- (14) The term "purchase, etc. of currency" as used in paragraph (1), item (xxviii)-2, (a) means any of the following transactions:
- (i) a purchase of currency; or
  - (ii) transaction set forth in Article 2, paragraph (22), item (ii) of the Act (limited to the transaction in which the customer is to become the party to receive money if the actual figure exceeds the agreed figure).
- (15) The margin, etc. referred to in paragraph (1), item (xxviii)-2, (c) may be satisfied by securities.
- (16) The substitute price of securities when all or part of the deposit of margin, etc. that should be received by a financial instruments business operator, etc. is substituted by securities pursuant to the provisions of the preceding paragraph is an amount prescribed in Article 68, paragraph (2) of the Cabinet Office Order on Financial Instruments Exchanges in any one of the financial instruments exchanges.
- (17) The margin, etc. referred to in paragraph (1), items (xxix) and (xxx) may be satisfied by securities.
- (18) The substitute price of securities when all or part of the deposit of margin,

etc. that should be received by a financial instruments business operator, etc. is substituted by securities pursuant to the provisions of the preceding paragraph is the amount prescribed in Article 68, paragraph (2) of the Cabinet Office Order on Financial Instruments Exchanges in any one of the financial instruments exchanges.

- (19) If all or part of the margin, etc. referred to in paragraph (1), item (xxix) or (xxx) is substituted by corporate bonds, etc. as defined in Article 2, paragraph (1) of the Act on Book-Entry Transfer of Corporate Bonds and Shares that are handled by a book-entry transfer institution as defined in paragraph (2) of that Article (hereinafter referred to as "book-entry corporate bonds, etc." in this paragraph) pursuant to the provisions of paragraph (17), and the information related to the book-entry corporate bonds, etc. is to be stated or recorded in the holdings column (meaning a holdings column prescribed in that Act) in the account of the financial instruments business operator, etc., the column must be separated from the column for transactions by that financial instruments business operator, etc.
- (20) The actual deposit amount referred to in paragraph (1), item (xxix) or (xxx), the required deposit amount at the time a contract is concluded referred to in item (xxix) of that paragraph, and the required deposit amount for maintenance referred to in item (xxx) of that paragraph may be calculated in aggregate for each customer concerning securities-related over-the-counter derivatives transactions specified in the following items in accordance with the category of securities-related over-the-counter derivatives transaction set forth in each of those items. In applying the provisions of item (xxix) of that paragraph to the case, the term "the securities-related over-the-counter derivatives transaction" in that item is deemed to be replaced with "securities-related over-the-counter derivatives transaction that is being conducted by the customer" and the term "by adding..., or" is deemed to be replaced with "by adding...":
- (i) individual stock-related over-the-counter derivatives transaction (meaning securities-related over-the-counter derivatives transaction whose subject is share certificates (including securities set forth in Article 2, paragraph (1), item (xvii) of the Act which have the nature of share certificates; the same applies in the following item) or transactions similar to them; hereinafter the same applies in this Article): multiple individual stock-related over-the-counter derivatives transactions;
  - (ii) stock price index-related over-the-counter derivatives transaction (meaning securities-related over-the-counter derivatives transaction whose subject is the following things or transactions similar to them; hereinafter the same applies in this Article): multiple stock price index-related over-the-counter derivatives transactions;

- (a) stock price index (meaning a figure calculated based on the price of share certificates listed on a financial instruments exchange (including an entity equivalent to a financial instruments exchange that has been established based on foreign laws and regulations; the same applies in sub-item (b)) (limited to a figure that comprehensively indicates the price level of a large number of issues of shares); the same applies in (b)); or
  - (b) a beneficiary certificate of investment trust listed on a financial instruments exchange (limited to an investment trust for which basic terms and conditions of the investment trust (meaning the basic terms and conditions of the investment trust prescribed in Article 4, paragraph (1) of the Act on Investment Trusts and Investment Corporations) provides that the volatility of the amount of net assets per unit of the investment trust property (meaning an investment trust property prescribed in Article 3, item (ii) of that Act) is to be invested to match the stock price index), or a foreign investment trust similar to the investment trust;
  - (iii) bond certificate-related over-the-counter derivatives transactions (meaning securities-related over-the-counter derivatives transactions of securities set forth in Article 2, paragraph (1), items (i) through (v) of the Act (including securities set forth in item (xvii) of that paragraph which have the nature of securities set forth in items (i) through (v) of that paragraph), investment corporation bond certificates or foreign investment securities that are similar to investment corporation bond certificates, or any transaction similar to this; hereinafter the same applies in this Article): multiple bond certificate-related over-the-counter derivatives transactions; and
  - (iv) other securities-related over-the-counter derivatives transactions (meaning securities-related over-the-counter derivatives transaction other than securities-related over-the-counter derivatives transaction set forth in the preceding three items; hereinafter the same applies in this Article): multiple other securities-related over-the-counter derivatives transactions.
- (21) The term "required deposit amount at the time a contract is concluded" referred to in paragraph (1), item (xxix) and the preceding paragraph means the amount specified in the following items in accordance with the category of cases set forth in each of those items; provided, however, that when the securities-related over-the-counter derivatives transaction referred to in each of the items is a transaction in which a customer is to pay a certain amount of money if an option related to those transactions is exercised, in making a calculation for the transaction, this means the amount of the money:
- (i) when calculating only individual stock-related over-the-counter derivatives transaction that the customer seeks to conduct: the amount arrived at when the amount of the individual stock-related over-the-counter derivatives transaction (if the individual stock-related over-the-counter derivatives

- transaction is a transaction set forth in Article 28, paragraph (8), item (iv), sub-item (c) of the Act (limited to the transaction in which the customer is to become the party to acquire the option), zero; the same applies in item (i) of the following paragraph) is multiplied by 20/100;
- (ii) when calculating only for a stock price index-related over-the-counter derivatives transaction that a customer seeks to conduct: the amount arrived at when the amount of the stock price index-related over-the-counter derivatives transaction (if the stock price index-related over-the-counter derivatives transaction is a transaction set forth in Article 28, paragraph (8), item (iv), sub-item (c) or (d) of the Act (limited to the transaction in which a customer is to become the party to acquire the option), zero; the same applies in item (ii) of the following paragraph) is multiplied by 10/100;
- (iii) when calculating only for a bond certificate-related over-the-counter derivatives transaction that a customer seeks to conduct: the amount arrived at when the amount of the bond certificate-related over-the-counter derivatives transaction (if the bond certificate-related over-the-counter derivatives transaction is a transaction set forth in Article 28, paragraph (8), item (iv), sub-item (c) or (d) of the Act (limited to the transaction in which a customer will become the party to acquire the option), zero; the same applies in item (iii) of the following paragraph) is multiplied by 2/100;
- (iv) when calculating only for another securities-related over-the-counter derivatives transaction that a customer seeks to conduct: the amount arrived at by multiplying by 20/100 the amount of the other securities-related over-the-counter derivatives transaction (if the other securities-related over-the-counter derivatives transaction is a transaction set forth in Article 28, paragraph (8), item (iv), sub-item (c) of the Act (limited to the transaction in which a customer is to become the party to acquire the option), zero; the same applies in item (iv) of the following paragraph);
- (v) when at the time of concluding a contract related to an individual stock-related over-the-counter derivatives transaction that a customer seeks to conduct and the individual stock-related over-the-counter derivatives transaction, calculation is to be made in aggregate for other individual stock-related over-the-counter derivatives transactions being conducted: the amount arrived at by multiplying by 20/100 the amount arrived at by deducting the amount of individual stock-related over-the-counter derivatives transactions related to transactions set forth in Article 28, paragraph (8), item (iv), sub-item (c) of the Act (limited to the transaction in which a customer is to become the party to acquire the option) from the total amount of those individual stock-related over-the-counter derivatives transactions;
- (vi) when at the time of concluding the contract related to stock price index-

- related over-the-counter derivatives transaction that a customer seeks to conduct and the stock price index-related over-the-counter derivatives transaction, calculation is to be made in aggregate for other stock price index-related over-the-counter derivatives transactions being conducted: the amount arrived at by multiplying by 10/100 the amount arrived at by deducting the amount of any stock price index-related over-the-counter derivatives transactions related to transaction set forth in Article 28, paragraph (8), item (iv), sub-item (c) or (d) of the Act (limited to the transaction in which a customer is to become the party to acquire the option) from the total amount of the stock price index-related over-the-counter derivatives transactions;
- (vii) when calculation is to be made in aggregate for other bond certificate-related over-the-counter derivatives transactions being conducted at the time of concluding a contract related to bond certificate-related over-the-counter derivatives transaction a customer seeks to conduct and the bond certificate-related over-the-counter derivatives transaction: the amount arrived at by multiplying by 2/100 the amount arrived at by deducting the amount of the bond certificate-related over-the-counter derivatives transaction related to the transaction set forth in Article 28, paragraph (8), item (iv), sub-item (c) or (d) of the Act (limited to the transactions in which a customer is to become the party to acquire the option) from the total amount of those bond certificate-related over-the-counter derivatives transactions; and
- (viii) when calculation is made in aggregate for other securities-related over-the-counter derivatives transaction being conducted at the time of concluding the contract related to the other securities-related over-the-counter derivatives that a customer seeks to conduct and the other securities-related over-the-counter derivatives transactions: the amount arrived at by multiplying by 20/100 the amount arrived at by deducting the amount for other securities-related over-the-counter transactions related the transactions set forth in Article 28, paragraph (8), item (iv), sub-item (c) or (d) of the Act (limited to the transactions in which the customer is to become the party to acquire the option) from the total amount of the other securities-related over-the-counter derivatives transactions.
- (22) The term "required deposit amount for maintenance" as used in paragraph (1), item (xxx) and paragraph (20) means the amount specified in the following items in accordance with the category of cases set forth in each of those items (if the amount exceeds the amount of money required for the performance of the obligation to be paid by the customer for the securities-related over-the-counter derivatives transactions referred to in each item, the amount of that money); provided, however, that if the securities-related over-the-counter derivatives transactions referred to in each item are transactions for which the

customer is to pay a specified amount of money when the option related to those transactions is exercised, and calculation is to be made for the transaction, this means the amount of that money:

- (i) when calculation is made for each individual stock-related over-the-counter derivatives transaction conducted by a customer: the amount arrived at when the amount of each of the individual stock-related over-the-counter derivatives transaction is multiplied by 20/100;
- (ii) when calculation is made for each stock price index-related over-the-counter derivatives transaction conducted by a customer: the amount arrived at by multiplying the amount of each of the stock price index-related over-the-counter derivatives transaction by 10/100;
- (iii) when calculation is made for each bond certificate-related over-the-counter derivatives transaction to be conducted by a customer: the amount arrived at by multiplying by 2/100 the amount of each of the bond certificate-related over-the-counter derivatives transaction;
- (iv) when calculation is made for each of the other securities-related over-the-counter derivatives transaction to be conducted by a customer: the amount arrived at by multiplying by 20/100 the amount of each of the other securities-related over-the-counter derivatives transaction;
- (v) when calculation is made in aggregate for multiple individual stock-related over-the-counter derivatives transactions: the amount arrived at by multiplying by 20/100 the amount arrived at by deducting the amount of individual stock-related over-the-counter derivatives transaction related to a transaction set forth in Article 28, paragraph (8), item (iv), sub-item (c) or (d) of the Act (limited to a transaction in which the customer is to become the party to acquire the option) from the total amount of those multiple individual stock-related over-the-counter derivatives transactions ;
- (vi) when calculation is made in aggregate for multiple stock price index-related over-the-counter derivatives transactions: the amount arrived at by multiplying by 10/100 the amount arrived at by deducting the amount of stock price index-related over-the-counter derivatives transaction related to a transaction set forth in Article 28, paragraph (8), item (iv), sub-item (c) or (d) of the Act (limited to a transaction in which the customer is to become the party to acquire the option) from the total amount of such multiple stock price index-related over-the-counter derivatives transactions;
- (vii) when calculation is made in aggregate for multiple bond certificate-related over-the-counter derivatives transactions: the amount arrived at by multiplying by 2/100 the amount of bond certificate-related over-the-counter derivatives transaction related to a transaction set forth in Article 28, paragraph (8), item (iv), sub-item (c) or (d) of the Act (limited to a transaction in which the customer is to become the party to acquire the

- option) from the total amount of the multiple bond certificate-related over-the-counter derivatives transactions; and
- (viii) when calculation is made in aggregate for two or more other securities-related over-the-counter derivatives transactions: the amount arrived at by multiplying by 20/100 the amount of the other securities-related over-the-counter derivatives transaction related to a transaction set forth in Article 28, paragraph (8), item (iv), sub-item (c) or (d) of the Act (limited to a transaction in which the customer is to become the party to acquire the option) from the total amount of the multiple other securities-related over-the-counter derivatives transactions.
- (23) In the cases set forth in paragraph (21), items (v) through (viii), or items (v) through (viii) of the preceding paragraph, if a customer has conducted sale, etc. of securities and purchase, etc. of securities for the same securities or securities index (meaning a securities index as defined in Article 2, paragraph (8), item (xi), sub-item (a) of the Act; hereinafter the same applies in this paragraph and the following paragraph), the amount that is not smaller among the amount of individual stock-related over-the-counter derivatives transactions, the amount of stock price index-related over-the-counter derivatives transactions, the amount of bond certificate-related over-the-counter derivatives transactions, or the amount of the other securities-related over-the-counter derivatives transactions, related to those sales or purchases may be used as the amount of individual stock-related over-the-counter derivatives transactions, the amount of stock price index-related over-the-counter derivatives transactions, the amount of bond certificate-related over-the-counter derivatives transactions, or the amount of the other securities-related over-the-counter derivatives transactions, related to the same securities or securities index.
- (24) The terms "amount of individual stock-related over-the-counter derivatives transaction", "amount of stock price index-related over-the-counter derivatives transaction", "amount of bond certificate-related over-the-counter derivatives transaction", or "amount of the other securities-related over-the-counter derivatives transaction" as used in the preceding three paragraphs means the amount specified in the following items in accordance with the category of individual stock-related over-the-counter derivatives transaction, stock price index-related over-the-counter derivatives transaction, bond certificate-related over-the-counter derivatives transaction, or the other securities-related over-the-counter derivatives transaction set forth in each of those items:
- (i) individual stock-related over-the-counter derivatives transaction, stock price index-related over-the-counter derivatives transaction, bond certificate-related over-the-counter derivatives transaction or the other securities-related over-the-counter derivatives transaction other than the transaction

- set forth in Article 28, paragraph (8), item (iv), sub-item (c) or (d) of the Act: the amount arrived by multiplying the price of securities, or the figure of securities index, related to the individual stock-related over-the-counter derivatives transaction, the stock price index-related over-the-counter derivatives transaction, the bond certificate-related over-the-counter derivatives transaction, or the other securities-related over-the-counter derivatives transaction by the number or volume of those transactions; and
- (ii) transaction set forth in Article 28, paragraph (8), item (iv), sub-item (c) or (d) of the Act: the amount arrived at by multiplying the price of securities, or the figure of securities index, related to the transaction set forth in sub-item (c), 1. or 2. of that item or the transaction prescribed in sub-item (d) of that item that is closed by exercising the right prescribed in sub-item (c) or (d) of that item by the number or volume of that transaction.
- (25) The term "sale, etc. of securities" as used in paragraph (23) means any of the following transactions:
- (i) sales of securities; or
  - (ii) transaction set forth in Article 28, paragraph (8), item (iv), sub-item (b) of the Act (limited to a transaction in which the customer is to become the party to pay money when the actual figure for securities (meaning an actual figure for securities prescribed in item (iii), sub-item (b) of that paragraph; the same applies in item (ii) of the following paragraph) exceeds the agreed figure for securities (meaning an agreed figure for securities prescribed in paragraph (8), item (iii), sub-item (b) of that Article; the same applies in item (ii) of the following paragraph)).
- (26) The term "purchase, etc. of securities" as used in paragraph (23) means any of the following transactions:
- (i) purchase of securities; or
  - (ii) transaction set forth in Article 28, paragraph (8), item (iv), sub-item (b) of the Act (limited to a transaction in which the customer is to become the party to receive money when the actual figure for securities exceeds the agreed figure for securities).
- (27) The margin, etc. referred to in items (xxxix) and (xl) of paragraph (1) may be satisfied by securities.
- (28) The substitute price of securities when all or part of the deposit of margin, etc. that should be received by a financial instruments business operator, etc. is substituted by securities pursuant to the provisions of the preceding paragraph is an amount prescribed in Article 68, paragraph (2) of the Cabinet Office Order on Financial Instruments Exchanges in any one of the financial instruments exchanges.
- (29) If all or part of the margin, etc. referred to in item (xxxix) or (xl) of paragraph (1) is substituted by corporate bonds, etc. as defined in Article 2,



paragraph (1) of the Act on Book-Entry Transfer of Corporate Bonds and Shares that are handled by a book-entry transfer institution as defined in paragraph (2) of that Article (hereinafter referred to as "book-entry transfer bonds, etc." in this paragraph) pursuant to the provisions of paragraph (27), and the data related to those book-entry bonds, etc. is to be stated or recorded in the holdings column (meaning the holdings column prescribed in that Act) in the account of the financial instruments business operator, etc., the column must be separated from the column for transactions by that financial instruments business operator, etc.

- (30) The actual deposit amount referred to in paragraph (1), item (xxxix) or (xl), the required amount deposit amount at the time a contract is concluded referred to in item (xxxix) of that paragraph, and the required deposit amount for maintenance referred to in item (xl) of that paragraph may be calculated in aggregate for each customer concerning multiple specified currency-related over-the-counter derivatives transactions. In applying the provisions of item (xxxix) of that paragraph in such a case, the term "the specified currency-related over-the-counter derivatives transaction" in that item is deemed to be replaced with "the specified currency-related over-the-counter derivatives transaction that is being conducted by the customer" and the term "by adding..., or" is deemed to be replaced with "by adding...,".
- (31) The term "required deposit amount at the time a contract is concluded" as used in paragraph (1), item (xxxix) and the preceding paragraph means the amount specified in the following items in accordance with the category of cases set forth in each of those items:
- (i) when making a calculation only for a specified currency-related over-the-counter derivatives transaction that the customer seeks to conduct: the amount arrived at by multiplying the amount of the specified currency-related over-the-counter derivatives transaction by the assumed exchange risk ratio for the combination of currencies for the transaction (meaning the ratio calculated by the method specified by the Commissioner of the Financial Services Agency as the ratio against the amount of principal of the amount equivalent to a risk that may arise due to exchange rate fluctuation of the currency; the same applies in the following item and the following paragraph) or the amount arrived at that properly reflects the foreign exchange rate fluctuations; or
  - (ii) when at the time of concluding a contract related to a specified currency-related over-the-counter derivatives transaction that a customer seeks to conduct and the specified currency-related over-the-counter derivatives transactions, making a calculation in aggregate for another specified currency-related over-the-counter derivatives transaction being conducted: the amount arrived at by multiplying the total amount of the amount of the

specified currency-related over-the-counter derivatives transaction for each of the category by the assumed exchange risk ratio, in accordance with the combination of the currencies that are subject of these specified currency-related over-the-counter derivatives transactions, or the amount arrived at that properly reflects the foreign exchange rate fluctuations.

- (32) The term "required deposit amount for maintenance" as used in paragraph (1), item (xl) and paragraph (30) means the amount specified in the following items in accordance with the category of cases set forth in each of those items:
- (i) when making a calculation for each specified currency-related over-the-counter derivatives transaction conducted by a customer: the amount arrived at by multiplying the amount of each of the specified currency-related over-the-counter derivatives transaction by the assumed exchange risk ratio for the combination of currencies that are subject of the transaction or the amount arrived at that properly reflects the foreign exchange rate fluctuations; or
  - (ii) when making a calculation in aggregate for multiple specified currency-related over-the-counter derivatives transactions: in accordance with the combination of currencies subject to those multiple specified currency-related over-the-counter derivatives transactions, the amount arrived at by multiplying the sum of the amount of the specified currency-related over-the-counter derivatives transaction for each of the category by the assumed exchange risk ratio, or the sum of the amount that properly reflect the foreign exchange rate fluctuations for that amount.
- (33) In the case set forth in paragraph (31), item (ii), or item (ii) of the preceding paragraph, a customer has conducted purchase, etc. of another currency through sale, etc. of one currency and a purchase, etc. of that one currency through sale, etc. of the other currency, the amount that is not smaller among the amounts of the specified currency-related over-the-counter derivatives transactions related to purchase or sale may be used as the amount of the specified currency-related over-the-counter derivatives transactions related to that one currency or that other currency.
- (34) The term "amount of the specified currency-related over-the-counter derivatives transaction" as used in the preceding three paragraphs means the amount arrived at by multiplying the currency value, or the figure of the financial index, related to the specified currency-related over-the-counter derivatives transaction by the number or volume of that transaction.
- (35) The term "sale, etc. of currency" as used in paragraph (33) means any of the following transactions:
- (i) sale of currency; or
  - (ii) transaction set forth in Article 2, paragraph (22), item (ii) of the Act  
(limited to a transaction in which the customer is to become the party to pay

- money when the actual figure exceeds the agreed figure).
- (36) The term "purchase, etc. of currency" as used in paragraph (33) means any of the following transactions:
- (i) purchase of currency; or
  - (ii) transaction set forth in Article 2, paragraph (22), item (ii) of the Act (limited to a transaction in which the customer is to become the party to receive money when the actual figure exceeds the agreed figure).
- (37) The margin, etc. referred to in paragraph (1), items (xlvii) and (xlviii) may be satisfied by securities or cryptoassets.
- (38) The substitute price of securities or cryptoassets when all or part of the deposit of margin, etc. that should be received by a financial instruments business operator, etc. is substituted by securities or cryptoassets pursuant to the provisions of the preceding paragraph is the amount specified in the following items in accordance with the category of cryptoasset-related derivatives transaction set forth in each of those items:
- (i) cryptoasset-related market derivatives transaction prescribed in Article 123, paragraph (14): an amount prescribed in Article 68, paragraph (2) of the Cabinet Office Order on Financial Instruments Exchanges, etc.; or
  - (ii) cryptoasset-related over-the-counter derivatives transaction prescribed in Article 123, paragraph (15) or cryptoasset-related foreign market derivatives transaction prescribed in paragraph (16) of that Article: an amount prescribed in Article 68, paragraph (2) of the Cabinet Office Order on Financial Instruments Exchanges, etc. in any one of the financial instruments exchanges (when all or part of the deposit of margin, etc. is substituted by cryptoassets, and there is no such amount, the amount specified by the rules of the financial instruments firms association (limited to the rules designated by the Commissioner of the Financial Services Agency)).
- (39) When all or part of the margin, etc. referred to in paragraph (1), item (xlvii) or (xlviii) is substituted by corporate bonds, etc. as defined in Article 2, paragraph (1) of the Act on Book-Entry Transfer of Corporate Bonds and Shares that are handled by a book-entry transfer institution as defined in paragraph (2) of that Article (hereinafter referred to as "book-entry corporate bonds, etc." in this paragraph) pursuant to the provisions of paragraph (37) and the information related to the book-entry transfer corporate bonds, etc. is to be stated or recorded in the holdings column (meaning the holdings column prescribed in that Act) in the account of the financial instruments business operator, etc., the holdings column must be separated from the column for the transactions by the financial instruments business operator, etc.
- (40) The actual deposit amount referred to in paragraph (1), item (xlvii) or (xlviii), the required deposit amount at the time a contract is concluded referred to in

item (xlvii) of that paragraph, and the required deposit amount for maintenance referred to in item (xlviii) of that paragraph may be calculated in aggregate for each customer for multiple cryptoasset-related derivatives transactions. In applying the provisions of item (xlvii) of that paragraph in such a case, the term "the cryptoasset-related derivatives transaction" in that item is deemed to be replaced with "cryptoasset-related derivatives transaction being conducted by the customer" and the term "by adding..., or deducting" is deemed to be replaced with "by adding...".

(41) The term "required deposit amount at the time a contract is concluded" as used in paragraph (1), item (xlvii) and the preceding paragraph means the amount arrived at by multiplying by 50/100 the amount specified in the following items in accordance with the category of cases set forth in each of those items; provided, however, that for cases a customer is to pay a certain amount of money when the cryptoasset-related derivatives transactions referred to in those items if an option related to those transactions is exercised, and when making a calculation for those transactions, this means the amount of the money:

(i) when calculating only the cryptoasset-related derivatives transaction that the customer seeks to conduct: the amount of the cryptoasset-related derivatives transaction (if the cryptoasset-related derivatives transaction is any of the following transaction, zero; the same applies in item (i) of the following paragraph):

(a) transaction set forth in Article 2, paragraph (21), item (iii) of the Act (limited to the transaction in which the customer will become the party to acquire the option);

(b) transaction set forth in Article 2, paragraph (22), item (iii) or (iv) of the Act (limited to the transaction for which the customer will become the party to acquire the option); or

(c) a foreign market derivatives transaction that is similar to the transaction set forth in sub-item (a);

(ii) when at the time of concluding a contract related to a cryptoasset-related derivatives transaction a customer seeks to conduct and the cryptoasset-related derivatives transaction, calculation is to be made in aggregate for another cryptoasset-related derivatives transaction that is being conducted: the amount arrived at by deducting the amount of cryptoasset-related derivatives transactions related to transactions set forth in sub-items (a) through (c) of the preceding item from the total amount of those cryptoasset-related derivatives transactions.

(42) The term "required deposit amount for maintenance" as used in paragraph (1), item (xlviii) and paragraph (40) means the amount arrived at by multiplying by 50/100 the amount specified in the following items in

accordance with the category of cases set forth in each of those items; provided, however, that for cases in which a customer is to pay a certain amount of money when the cryptoasset-related derivatives transactions set forth in those items if an option related to those transactions is exercised, and when making a calculation for those transactions, this means the amount of the money:

- (i) when making a calculation for each cryptoasset-related derivatives transaction conducted by a customer: the amount of each of the cryptoasset-related derivatives transaction; and
- (ii) when making a calculation in aggregate for multiple cryptoasset-related derivatives transactions: the amount arrived at by deducting the amount of a cryptoasset-related derivatives transactions related to transactions set forth in item (i), sub-items (a) through (c) of the preceding paragraph from the total amount of those multiple cryptoasset-related derivatives transactions.

(43) In the case set forth in paragraph (41), item (i) or item (ii) of the preceding paragraph, if a customer has conducted sale, etc. of cryptoassets and purchase, etc. of cryptoassets for the same cryptoassets or financial index, among the amounts of cryptoasset-related derivatives transactions related to the purchase or sale (limited to the amount to be indicated in the same currency) the amount that is not smaller may be used as the amount of cryptoasset-related derivatives transaction related to the same cryptoassets or financial indexes, and if a customer has conducted the purchase, etc. of another cryptoasset through conducting the sale, etc. of one cryptoasset and has conducted purchase, etc. of the one cryptoasset through conducting sale, etc. of that other cryptoasset, among the amounts of cryptoasset-related derivatives transactions related to the purchase or sale, the amount that is not smaller may be used as the amount of cryptoasset-related derivatives transaction related to that one cryptoasset or that other cryptoasset.

(44) The term "amount of cryptoasset-related derivatives transaction" as used in the preceding three paragraphs means the amount specified in the following items in accordance with the category of cryptoasset-related derivatives transactions set forth in those items:

- (i) cryptoasset-related derivatives transactions other than the following cryptoasset-related derivatives transactions: the amount arrived at as the price of the cryptoassets or the figure of the financial index related to the cryptoasset-related derivatives transaction multiplied by the number or volume of the transactions:
  - (a) transaction set forth in Article 2, paragraph (21), item (iii) of the Act;
  - (b) transaction set forth in Article 2, paragraph (22), item (iii) or (iv) of the Act; and
  - (c) a foreign market derivatives transaction that is similar to the transaction set forth in sub-item (a); and

- (ii) the following cryptoasset-related derivatives transactions: the amount arrived at by multiplying the price of the cryptoasset or the figure of the financial index related to the transaction specified in the following sub-items in accordance with the category of the cryptoasset-related derivatives transactions set forth in each of the sub-items by the number or volume of the transaction:
  - (a) transaction set forth in Article 2, paragraph (21), item (iii) of the Act: the transaction set forth in sub-item (a) or (b) of that item that is closed by exercising the right prescribed in that item;
  - (b) transaction set forth in Article 2, paragraph (22) item (iii) or (iv) of the Act: the transaction set forth in item (iii), sub-item (a) or (b) that is closed by exercising the right prescribed in item (iii) or (iv) of that paragraph, or the transaction prescribed in item (iv) of that paragraph; or
  - (c) a foreign market derivatives transaction that is similar to the transaction set forth in sub-item (a): the transaction similar to the transaction prescribed in sub-item (a).
- (45) The term "sale, etc. of cryptoasset" as used in paragraph (43) means any of the following transactions:
  - (i) sale of cryptoasset;
  - (ii) transaction set forth in Article 2, paragraph (21), item (ii) of the Act (limited to a transaction in which the customer is to become the party to pay money when the actual figure exceeds the agreed figure);
  - (iii) transaction set forth in Article 2, paragraph (22), item (ii) of the Act (limited to a transaction in which the customer is to become the party to pay money when the actual figure exceeds the agreed figure); or
  - (iv) a foreign market derivatives transaction (limited to a transaction that is similar to the transaction set forth in item (ii)).
- (46) The term "purchase, etc. of cryptoasset" as used in paragraph (43) means any of the following transactions:
  - (i) purchase of cryptoasset;
  - (ii) transaction set forth in Article 2, paragraph (21), item (ii) of the Act (limited to a transaction in which a customer is to become the party to pay money when the actual figure exceeds the agreed figure);
  - (iii) transaction set forth in Article 2, paragraph (22), item (ii) of the Act (limited to a transaction in which a customer is to become the party to pay money when the actual figure exceeds the agreed figure); or
  - (iv) a foreign market derivatives transaction (limited to a transaction that is similar to the transaction set forth in item (ii)).
- (47) The margin, etc. referred to in paragraph (1), items (xlix) and (l) may be satisfied by securities or cryptoassets.
- (48) The substitute price of securities or cryptoassets when all or part of the

deposit of margin, etc. that should be received by a financial instruments business operator, etc. is substituted by securities or cryptoassets pursuant to the provisions of the preceding paragraph is an amount prescribed in Article 68, paragraph (2) of the Cabinet Office Order on Financial Instruments Exchanges, etc. in any one of the financial instruments exchanges (if it is substituted by cryptoassets, and there is no such amount, the amount specified by the rules of a financial instruments firms association (limited to the rules designated by the Commissioner of the Financial Services Agency)).

(49) When all or part of the margin, etc. referred to in paragraph (1), item (xlix) or (l) is substituted by corporate bonds, etc. as defined in Article 2, paragraph (1) of the Act on Book-Entry Transfer of Corporate Bonds and Shares which are handled by a book-entry transfer institution as defined in paragraph (2) of that Article (hereinafter referred to as "book-entry corporate bonds, etc." in this paragraph) pursuant to the provisions of paragraph (47) and the information related to the book-entry corporate bonds, etc. are to be stated or recorded in the holdings column (meaning the holdings column prescribed in that Act) in the account of the financial instruments business operator, etc., the column must be separated from the column for transactions by that financial instruments business operator, etc.

(50) The actual deposit amount referred to in paragraph (1), item (xlix) or (l), the required deposit amount at the time of concluding a contract referred to in item (xlix) of that paragraph and the required deposit amount for maintenance referred to in item (l) of that paragraph may be calculated in aggregate for each customer concerning multiple specified cryptoasset-related over-the-counter derivatives transactions. In applying the provisions of item (xlix) of that paragraph in such a case, the term "the specified cryptoasset-related over-the-counter derivatives transaction" in that item is deemed to be replaced with "specified cryptoasset-related over-the-counter derivatives transaction that is being conducted by the customer" and the term "by adding..., or " is deemed to be replaced with "by adding...,".

(51) The term "required deposit amount at the time a contract is concluded" as used in paragraph (1), item (xlix) and the preceding paragraph means the amount specified in the following items in accordance with the category of cases set forth in each of those items:

(i) when making a calculation only for a specified cryptoasset-related over-the-counter derivatives transaction that a customer seeks to conduct: the amount arrived at by multiplying the amount of the specified cryptoasset-related over-the-counter derivatives transaction by the assumed cryptoasset risk ratio for the cryptoasset or financial index, or the combination of cryptoassets which is the subject of the transaction (meaning the ratio calculated by the method designated by the Commissioner of the Financial

- Services Agency as the ratio for the amount of principal of the amount equivalent to a risk that may arise due to fluctuations in the quotations of those cryptoassets or financial indexes; hereinafter the same applies in this paragraph and the following paragraph) (for financial instruments business operators, etc. that do not use the assumed cryptoasset risk ratio, the amount arrived at by multiplying the amount of the specified cryptoasset-related over-the-counter derivatives transaction by 50/100); or
- (ii) when at the time of concluding a contract related to a specified cryptoasset-related over-the-counter derivatives transaction a customer is seeking to conclude and the specified cryptoasset-related over-the-counter derivatives transaction, calculation is to be made in aggregate for other specified cryptoasset-related over-the-counter derivatives transactions: for the category of the cryptoasset or financial index, or combination of cryptoassets that is the subject of those specified cryptoasset-related over-the-counter derivatives transactions, the amount arrived at by multiplying the total amount of the amount of the specified cryptoasset-related over-the-counter derivatives transactions for each of the category by the assumed cryptoasset risk ratio for each of the category (for financial instruments business operators, etc. that do not use the assumed cryptoasset risk ratio, the amount arrived at by multiplying the total amount of those specified cryptoasset-related over-the-counter derivatives transactions by 50/100).
- (52) The term "required deposit amount for maintenance" as used in paragraph (1), item (l) and paragraph (50) means the amount specified in the following items in accordance with the category of cases set forth in each of those items:
- (i) when making a calculation for each specified cryptoasset-related over-the-counter derivatives transaction that a customer conducts: the amount arrived at by multiplying the amount of each of the specified cryptoasset-related over-the-counter derivatives transaction by the assumed cryptoassets risk ratio for the cryptoassets or financial index, or the combination of cryptoassets that is the subject of the transaction (for a financial instruments business operator, etc. that does not use the assumed cryptoassets risk ratio, the amount arrived at by multiplying by 50/100 the amount of each of the specified cryptoasset-related over-the-counter derivatives transaction); or
  - (ii) when making a calculation in aggregate for multiple specified cryptoasset-related over-the-counter derivatives transactions: the amount arrived at by multiplying the total amount for each category of specified cryptoasset-related over-the-counter derivatives transactions by the assumed cryptoassets risk ratio for each category in accordance with the category of the cryptoassets or financial index, or the combination of cryptoassets for those multiple specified cryptoasset-related over-the-counter derivatives



transactions (for a financial instruments business operator, etc. that does not use assumed cryptoassets risk ratio, the amount arrived at by multiplying the total amount of the multiple specified cryptoasset-related over-the-counter derivatives transactions by 50/100).

(53) In the case set forth in paragraph (51), item (ii) or (ii) of the preceding paragraph, if a customer has conducted sale, etc. of cryptoassets and purchase, etc. of cryptoassets for the same cryptoassets or financial index, among the amounts of specified cryptoasset-related over-the-counter derivatives transactions related to the purchase or sale (limited to the amount to be indicated in the same currency), the amount that is not smaller may be used as the amount of specified cryptoasset-related over-the-counter derivatives transaction related to the same cryptoassets or financial index, and if a customer has conducted purchase, etc. of another cryptoasset through conducting sale, etc. of the one cryptoasset and has conducted purchase, etc. of the one cryptoasset through conducting sale, etc. of the other cryptoasset, among the amounts of specified cryptoasset-related over-the-counter derivatives transactions related to the purchase or sale, the amount that is not smaller may be used as the amount of specified cryptoasset-related over-the-counter derivatives transaction related to that one cryptoasset or that other cryptoasset.

(54) The term "amount of specified cryptoasset-related over-the-counter derivatives transaction" as used in the preceding three paragraphs means the amount arrived at by multiplying the price of the cryptoassets or the figure of the financial index related to specified cryptoasset-related over-the-counter derivatives transaction by the number or volume of the transactions.

(55) The term "sale, etc. of cryptoassets" as used in paragraph (53) means any of the following transactions:

(i) sale of cryptoassets; or

(ii) transaction set forth in Article 2, paragraph (22), item (ii) of the Act (limited to a transaction in which the customer is to become the party to pay money when the actual figure exceeds the agreed figure).

(56) The term "purchase, etc. of cryptoassets" as used in paragraph (53) means any of the following transactions:

(i) purchase of cryptoassets; or

(ii) transaction set forth in Article 2, paragraph (22), item (ii) of the Act (limited to a transaction in which the customer is to become the party to pay money when the actual figure exceeds the agreed figure).

(Problematic Conduct)

Article 118 The cases specified by Cabinet Office Order as prescribed in Article 39, paragraph (3) of the Act are as follows:

- (i) the case in which the representative, an agent, an employee, or any other worker of a financial instruments business operator, etc. (hereinafter referred to as "representative, etc.") has caused a loss to the customer through conducting any of the following acts for the business of the financial instruments business operator, etc. in relation to purchase and sale or other transaction of securities (meaning purchase and sale or other transaction of securities prescribed in Article 39, paragraph (1), item (i) of the Act, and excluding brokerage for clearing of securities; the same applies in sub-item (a)):
  - (a) an act of conducting purchase and sale or other transaction of securities, etc. on the customer's account, without confirming the content of the customer's order;
  - (b) an act of soliciting a customer in a manner which causes customers to misunderstand the following matters:
    - 1. the nature of the securities, etc. (meaning the securities, etc. prescribed in Article 39, paragraph (1), item (i) of the Act);
    - 2. the conditions of trading;
    - 3. appreciation or depreciation in the price of financial instruments or the amount of consideration of options, increase or decrease in the agreed figure or the actual figure of the transaction set forth in Article 2, paragraph (21), item (ii) of the Act (including foreign market derivatives transactions similar to the transaction) or the transaction set forth in paragraph (22), item (ii) of that Article, increase or decrease in financial index related to the transaction set forth in Article 2, paragraph (21), item (iv) or (iv)-2, or paragraph (22), item (v) of that Article or appreciation or depreciation in the price of financial instruments, or whether or not the grounds set forth in Article 2, paragraph (21), item (v), sub-item (a) or (b) or paragraph (22), item (vi), sub-item (a) or (b) of that Article have occurred for the transaction set forth in Article 2, paragraph (21), item (v) or paragraph (22), item (vi) of that Article;
  - (c) to erroneously process clerical work due to negligence in executing a customer's order;
  - (d) to erroneously execute a customer's orders, due to malfunctioning of the electronic data processing system; or
  - (e) to perform any other act in violation of laws and regulations.
- (ii) cases of causing a loss to a customer or a right holder through conducting any of the following acts in connection with investment advisory business or investment management business:
  - (a) to erroneously process clerical work due to negligence or malfunctioning of the electronic data processing system;

- (b) to neglect performance of duties; or
- (c) to perform other acts in violation of laws and regulations, or investment advisory contracts or any contract set forth in the items of Article 42-3, paragraph (1) of the Act, or other juridical acts.

(Cases in Which Confirmation of Problematic Conduct is not Required)

Article 119 (1) The cases specified by Cabinet Office Order as prescribed in Article 39, paragraph (3) of the Act are as follows:

- (i) when a final and binding judgment has been issued by the court;
- (ii) when a judicial settlement (excluding a judicial settlement specified in Article 275, paragraph (1) of the Code of Civil Procedures (Act No. 109 of 1996)) has been reached;
- (iii) when a conciliation prescribed in Article 16 of the Civil Conciliation Act (Act No. 222 of 1951) has been reached; or when the court has made a decision pursuant to the provisions of Article 17 of that Act, and objection was not filed within the period specified in Article 18, paragraph (1) of that Act;
- (iv) when settlement has been reached through mediation by a financial instruments firms association or a certified investor protection organization (meaning a mediation prescribed in Article 77-2, paragraph (1) of the Act (including as applied mutatis mutandis pursuant to Article 78-7 and Article 79-13 of the Act); the same applies in Article 277, paragraph (1), item (iv)), or dispute resolution procedures by a designated dispute resolution organization (including a person that has received a designation set forth in the items of Article 19-7 of the Order; the same applies in Article 277, paragraph (1), item (iv));
- (v) when settlement has been reached through mediation by an organization specified in the articles of association prescribed in Article 33, paragraph (1) of the Attorney Acts or in rules specified by those articles of association, or when an arbitral award through arbitration procedures conducted by that organization has been rendered;
- (vi) when settlement has been reached through mediation prescribed in Article 19, paragraph (1) or Article 25 of the Basic Act on Consumer Policies, or when settlement by an agreement prescribed in that Article has been reached;
- (vii) when settlement has been reached through certified dispute resolution procedures (meaning the certified dispute resolution procedures as defined in Article 2, item (iii) of the Act on Promotion of Use of Alternative Dispute Resolution (Act No. 151 of 2004); the same applies in Article 277, paragraph (1), item (vii)) taken by a certified dispute resolution business operator (meaning a certified dispute resolution business operator as defined in

- Article 2, item (iv) of that Act, and limited to a case in which the dispute related to purchase and sale or other transactions of securities, etc. (meaning purchase and sale or other transactions of securities, etc. prescribed in Article 39, paragraph (1), item (i) of the Act) falls within the scope of disputes prescribed in Article 6, item (i) of the Act on Promotion of Use of Alternative Dispute Resolution);
- (viii) when settlement has been reached, and the settlement fulfills all of the following requirements:
- (a) an attorney-at-law or a judicial scrivener (limited to a person that provides the services set forth in Article 3, paragraph (1), item (vii) of the Judicial Scriveners Act (Act No. 197 of 1950); the same applies in the following item) has acted on behalf of the customer concerning the settlement procedures;
  - (b) the amount to be paid by the financial instruments business operator, etc. to the customer due to the settlement being reached does not exceed ten million yen (if a judicial scrivener referred to in sub-item (a) acts on behalf of the customer, the amount specified in Article 3, paragraph (1), item (vii) of the Judicial Scriveners Act); and
  - (c) a document or electronic or magnetic record certifying that the attorney-at-law or judicial scrivener referred to in sub-item (a) has investigated and confirmed that the purpose of the payment referred to in sub-item (b) is to compensate for all or part of losses arising from a problematic conduct (meaning a problematic conduct prescribed in Article 39, paragraph (3) of the Act; hereinafter the same applies in this Article through Article 121) has been delivered or provided to a financial instruments business operator, etc.
- (ix) when the amount to be paid to the customer for losses arising from a problematic conduct has been determined between the financial instruments business operator and the customer, and meets all of the following requirements (excluding the cases set forth in the preceding items):
- (a) the amount to be paid by a financial instruments business operator, etc. to the customer does not exceed ten million yen (if the committee prescribed in sub-item (b) consists only of members that are judicial scriveners, the amount specified in Article 3, paragraph (1), item (vii) of the Judicial Scriveners Act); and
  - (b) the fact that the payment referred to in sub-item (a) is to be made for the purpose of compensating for losses arising from a problematic conduct has been investigated and confirmed by a committee set up within a financial instruments firms association (meaning a committee that consists of multiple members appointed by a financial instruments firms association (limited to persons that are attorneys-at-law or judicial scriveners that

- does not have a special interest with the financial instruments business operator, etc. and the customer related to the problematic conduct));
- (x) when the representative, etc. of a financial instruments business operator, etc. has caused a loss to the customer due to any act set forth in item (i), sub-items (a) through (e) of the preceding Article, and the amount of the property benefit offered, promised, or provided to a customer in relation to the loss incurred by the customer in one day's transaction does not exceed the amount equivalent to 100 thousand yen (excluding the cases set forth in the preceding items); and
- (xi) when the representative, etc. of a financial instruments business operator, etc. has caused a loss to a customer due to any act set forth in item (i), sub-item (c) or (d) of the preceding Article (limited to cases in which it is obvious from the statements in books and documents prescribed in Article 46-2, Article 47 or Article 48 of the Act, or records of the content of a customer's order that the act is a problematic conduct and excluding the cases set forth in items (i) through (ix)).
- (2) The benefit referred to in item (x) of the preceding paragraph is to be calculated for each category of the acts set forth in paragraph (1), item (i), sub-items (a) through (e) of the preceding Article. In such a case, the amount of property benefit offered, promised, or provided in the case referred to in item (xi) of the preceding paragraph is to be deducted from the amount of benefit related to the category of the acts set forth in sub-item (c) or (d) of that item.
- (3) In the case set forth in paragraph (1), items (ix) through (xi), if a financial instruments business operator, etc. has offered or promised to provide, or has provided property benefits to a customer without obtaining confirmation referred to in the proviso to Article 39, paragraph (3) of the Act, the financial instruments business operator, etc. must report the matters set forth in the items of Article 121 to the Director-General of a Local Finance Bureau with jurisdiction over the location of the head office or other business offices, or offices where the problematic conduct related to the offer, promise, or provision has occurred (if the locality falls within the jurisdictional area of the Fukuoka Local Finance Branch Bureau, its Director-General; if the business operator does not have a business office or an office in Japan, the Director-General of the Kanto Finance Bureau; the same applies in Article 120), no later than the last day of the month immediately after the month that includes the day of the offer, promise, or provision.

(Exemption of Prohibition of Compensation for Loss)

Article 119-2 The investment trust specified by Cabinet Office Order as prescribed in Article 39, paragraph (4) of the Act is a bond investment trust provided for in Article 25, item (ii) of the Regulations for Enforcement of Act on

Investment Trusts and Investment Corporations (limited to a bond investment trust for which the accounting period is one day), for which beneficial interest is acquired or held for using it to pay or receive money for purchase and sale of securities or other transactions conducted between a customer and a financial instruments business operator, etc.

(Applying for Confirmation of Problematic Conduct)

Article 120 A person that seeks confirmation referred to in the proviso to Article 39, paragraph (3) of the Act must submit one original copy of the written application under the provisions of paragraph (7) of that Article and of the attached documents, and copies of those documents to the Director-General of a Local Finance Bureau with jurisdiction over the location of the head office, or other business offices, or offices in which the problematic conduct related to the confirmation has occurred.

(Matters to Be Stated in Written Applications for Confirmation)

Article 121 The matters specified by Cabinet Office Order as prescribed in Article 39, paragraph (7) of the Act are as follows:

- (i) the trade name or name, and the registration number of the financial instruments business operator, etc.;
- (ii) the name and location of the head office, or other business offices, or offices in which the problematic conduct has occurred;
- (iii) the following matters related to the fact for which confirmation is sought:
  - (a) the name the representative, etc. or the department which was involved in the act which falls under problematic conduct;
  - (b) the name and address of the customer (if the customer is a corporation, its trade name or name, the location of the principal business office or offices, and the name of its representative);
  - (c) an outline of the problematic conduct;
  - (d) the reasons that the customer's loss to be compensated for is due to problematic conduct; and
  - (e) the amount of property benefit to be offered, promised, or provided;
- (iv) other information that should serve as a reference.

(Documents to Be Attached to Written Applications for Confirmation)

Article 122 (1) The documents specified by Cabinet Office Order as prescribed in Article 39, paragraph (7) of the Act are the documents certifying that customers have confirmed the content of the matters set forth in the items of the preceding Article, and other information that should serve as a reference.

(2) The provisions of the preceding paragraph do not apply if the written application under the provisions of Article 39, paragraph (7) of the Act

concerns the application set forth in item (ii), paragraph (1) of that Article.

(Circumstances in Which the State of Managing Business Is Likely to Be  
Contrary to Public Interest or Hinder Protection of Investors)

Article 123 (1) The circumstances specified by Cabinet Office Order as  
prescribed in Article 40, item (ii) of the Act are as follows:

- (i) circumstances in which the financial instruments business operator, etc.  
frequently conducts purchase and sale or other transactions of securities or  
derivative transactions, etc. (excluding brokerage for clearing of securities,  
etc.) on the customer's account, without confirming the content of the  
customer's order in advance;
- (ii) circumstances in which the financial instruments business operator, etc.  
has become entrusted, etc. with purchase and sale of securities or derivative  
transactions, etc. from a person who has been entrusted with purchase and  
sale of the securities or derivative transactions through the soliciting  
unspecified and many investors (excluding a person that conducts an act that  
constitutes a financial instruments transaction in compliance with laws and  
regulations), knowing that the transaction is to be conducted on such  
investor's account, and without confirming the investor's intention in  
advance;
- (iii) circumstances in which the financial instruments business operator, etc. is  
conducting underwriting of securities in which the quantity, price and other  
conditions that are found to be extremely inappropriate;
- (iv) when conducting the wholesale underwriting of securities, circumstances  
in which it is found that the financial instruments business operator, etc. has  
not conducted an appropriate examination of the issuer's financial condition,  
operating results, or other matters that contribute to determining the  
appropriateness of underwriting;
- (v) circumstances in which it is found that the financial instruments business  
operator, etc. has not taken the measures necessary and appropriate for  
preventing unfair transactions based on corporate information concerning  
the management of corporate information they handle, or the management of  
a customer's purchase and sale or other transactions of securities.;
- (vi) when entrusting the safety management of information on a customer the  
financial instruments business operator, etc. handles who is an individual,  
the supervision of workers, and the handling of the information,  
circumstances in which it is found that the business operator, etc. has not  
taken the measures necessary and appropriate for preventing the leakage,  
destruction, or damage of the information in relation to supervision of the  
entrusted person;
- (vi)-2 when leakage, destruction, or damage occurs to information on a

- customer the financial instruments business operator, etc. handles who is an individual (limited to information that falls under personal data prescribed in Article 16, paragraph (3) of the Act on the Protection of Personal Information (Act No. 57 of 2003)), or when a situation has arisen in which it is suspected that leakage, destruction, or damage has occurred, circumstances in which it is found that the financial instruments business operator, etc. has not reported the fact that the situation has arisen to the Commissioner of the Financial Services Agency or the competent Director-General of a Local Finance Bureau or has not taken other appropriate measures;
- (vii) circumstances in which it is found that the financial instruments business operator, etc. has not taken measures to ensure that they will not use the information concerning the race, creed, family origin, registered domicile, health and medical care, or criminal record, of the customer they handle who is an individual, or other undisclosed special information that has come to their knowledge in the course of business for any purpose other than ensuring the proper operation of business or other purposes found to be necessary;
- (viii) circumstances in which it is found that the financial instruments business operator, etc. has not properly notified the customer of the delivery status and other information necessary for customers in connection with purchase and sale or other transaction of securities by customers;
- (ix) circumstances in which in soliciting a rollover (meaning the partial cancellation of an investment trust agreement concerning investment trust beneficiary certificates, etc. currently held or refund of equity investment, or sale of investment trust beneficiary certificates, etc. or acquisition of investment trust beneficiary certificates, etc. involving their entrustment, or purchase or their entrustment; hereinafter the same applies in this item and Article 281, item (vi)) of beneficiary certificates, etc. of an investment trust (meaning the beneficiary certificates of investment trust or foreign investment trust prescribed in the Act on Investment Trusts and Investment Corporations (excluding beneficiary certificates set forth in Article 65, item (ii), sub-items (a) through (c) and those that have a nature similar to them), investment securities, or foreign investment securities similar to investment securities, and excluding those which have been listed on a financial instruments exchange or which fall under over-the-counter traded securities; hereinafter the same applies in this item and Article 281, item (vi)), explanation of important matters concerning the rollover have not been given to customers (excluding a professional investor; hereinafter the same applies in the following item) ;
- (x) when a financial instruments business operator conducts an act set forth in



- Article 2, paragraph (8), item (vii) of the Act concerning the securities set forth in sub-item (a) of that item (including rights required to be indicated on the securities which are deemed to be securities pursuant to the provisions of paragraph (2) of that Article), or conducts purchase of the securities without the purpose of resale or other similar acts, and receives from the customer a deposit for their subscription payment or proceeds of sale related to the securities, or cancellation fee, earnings, or redemption money for investment trust related to those securities in relation to the act, for the purpose of controlling the money equivalent to the amount that should be returned to the customer when they discontinue financial instruments business or cease to conduct financial instruments business, circumstances in which they have not entrusted the deposited money with a trust company or financial institution engaged in trust business, in Japan, concerning the money the business operator has received deposit, by the means equivalent to the means prescribed in Article 43-2, paragraph (2) of the Act;
- (xi) at the time a financial instruments business operator, etc. seeks to have a person acquire, or sell them securities set forth in Article 2, paragraph (1), item (v) of the Act or item (xvii) of that paragraph (limited to those which have the nature of the securities set forth in any of Article 2, paragraph (1), items (i) through (v) of the Act) through an act set forth in Article 2, paragraph (8), item (viii) or (ix) of the Act, circumstances in which the financial instruments business operator, etc. has not given an explanation on material events that influence investment decision which has occurred during the period for making an application for the acquisition or purchase of those securities to customers (excluding professional investors) that are individuals;
- (xii) circumstances in which it is found that the management of purchase and sale for preventing acts of making an application for, entrusting, etc., or becoming entrusted, etc. with, sale, purchase, or derivative transaction related to the listed financial instruments, etc. traded on a financial instruments exchange market or the over-the-counter traded securities, which would result in forming a manipulative quotation that does not reflect the actual market status through fluctuating, pegging, fixing, or stabilizing the quotation of listed financial instruments, etc. in financial instruments exchange market, or over-the-counter traded securities in over-the-counter securities market or the figure calculated based on quotation or transaction volume;
- (xiii) in conducting any of the following acts as type I financial instruments business or type II financial instruments business, circumstances in which a financial instruments business operator, etc. has not developed in advance an internal management system sufficient to prevent the act from resulting

- in insufficient protection for investors, harming the fairness of transactions, or losing credibility of financial instruments business, etc.:
- (a) an act set forth in Article 16, paragraph (1), item (viii), sub-item (a) or (b) of the Cabinet Office Order on Definitions under Article 2 of the Financial Instruments and Exchange Act;
  - (b) purchase and sale of securities or derivative transactions conducted based on the contract which provides that the financial instruments business operator, etc. by obtaining the customer's consent on whether the transaction is for purchase or sale, the issue, and the volume (for derivatives transactions, matters equivalent to them), may determine the price (for derivatives transactions, the matter equivalent to the price) within an appropriate scope of consent given in consideration of the quotation at the time of the consent (if there is no quotation at the time of the consent, the quotation at the time immediately before the consent) (the consent is referred to as the "specific consent" in sub-item (c));
  - (c) purchase and sale of securities or derivative transactions conducted based on the contract which provides that the financial instruments business operator, etc. by obtaining the customer's consent on whether the transaction is for purchase or sale, the issue, and the total amount of each transaction (in the case of derivatives transactions, matters equivalent to them), and the consent (for the price, including the specific consent) on either the volume or the price (in the case of derivatives transactions, matters equivalent to them), may determine the volume or the price that have not been given a consent by the customer;
  - (d) purchase and sale of securities or derivative transactions to be conducted under the contract specified in Article 117, paragraph (1), item (xxi);
  - (e) purchase and sale of securities or derivative transactions conducted based on the contract which provides that the financial instruments business operator, etc. by obtaining a consent from the relative (limited to a spouse, and relative by blood or affinity within the second degree of kinship) of their officer (if the officer is a corporation, including members that are to perform the corporation's duties) or of an employee on whether the transaction is for purchase or sale, the issue, and the volume (for derivatives transactions, matters equivalent to them), may determine the price (for derivatives transactions, matters equivalent to the price);
- (xiii)-2 when a financial instruments business operator engages in investment management business for qualified investors, circumstances in which it is found that the financial instruments business operator has not taken necessary and appropriate measures for preventing persons other than qualified investors from becoming a right holder through confirming the attributes of a right holder (including the investor (meaning an investor as

- defined in Article 2, paragraph (16) of the Act on Investment Trusts and Investment Corporations) of a registered investment corporation that is the other party to the contract set forth in Article 2, paragraph (8), item (xii) of the Act (meaning a registered investment corporation as defined in Article 2, paragraph (13) of the Act on Investment Trusts and Investment Corporations) and the person set forth in the items of Article 15-10-4 of the Order; hereinafter the same applies in this item) or a person that seeks to become a right holder and understanding the trend of purchase and sale or other transactions of securities of the right holder or other means;
- (xiv) circumstances in which the management of electronic data processing system used for financial instruments business, etc. is found to be insufficient (for a financial instruments business operator, etc. engaged in high-speed trading as financial instruments business, etc., including the circumstances provided for in Article 66-57, item (i) of the Act);
  - (xv) circumstances in which the measures for preventing an act in violation of laws and regulations related to financial instruments intermediary services of the entrusted financial instruments intermediary service provider are found to be insufficient;
  - (xvi) circumstances in which it is found that the financial instruments business operator, etc. has not taken appropriate measures for the compensation of loss for the problematic conduct of the entrusted financial instruments intermediary service provider (meaning a problematic conduct prescribed in Article 258, item (iii));
  - (xvii) circumstances in which the financial instruments business operator, etc. has the entrusted financial instruments intermediary service provider deliver money, securities, or commodities for the customers (including instruments or certificates issued for the deposited commodities);
  - (xviii) circumstances in which a financial instruments business operator, etc. provides unpublished information concerning a customer's property or other special information (excluding the following information) which they have obtained to registered financial institution, financial instruments intermediary service provider, or financial service intermediary to which they have entrusted business, without obtaining prior written consent from the customer, or solicits purchase and sale or other transactions of securities by using unpublished information concerning a customer's property or other special information obtained from registered financial institution, financial instruments intermediary service provider, or financial service intermediary to which they have entrusted business (limited to information other than those set forth in sub-item (f), which is provided by the registered financial institution, financial instruments intermediary service provider, or financial service intermediary without obtaining the customer's written consent):

- (a) information concerning act of intermediation for financial instruments performed by the registered financial institution, financial instruments intermediary service provider, or financial service intermediary;
- (b) information which is found necessary to be provided in order to ensure compliance with the laws and regulations applicable to the financial instruments intermediary service or the securities, etc. intermediary business operations by the registered financial institution, financial instruments intermediary service provider, or financial service intermediary;
- (c) in the case prescribed in Article 150, item (iv), information of the fact that proceeds related to the securities are to be appropriated for performance of obligation related to the borrowings;
- (d) information found necessary to be provided to the registered financial institution for the registered financial institution or entrusting financial instruments business operator to comply with the applicable provisions (meaning the provisions of Article 36, paragraph (2) of the Act, Article 13-3-2, paragraph (1) of the Banking Act (including as applied mutatis mutandis pursuant to Article 17 of the Long-Term Credit Bank Act, Article 6, paragraph (1) of the Act on Financial Businesses by Cooperatives, Article 89, paragraph (1) of the Shinkin Bank Act, and Article 94, paragraph (1) of the Labor Bank Act), Article 59-2-2, paragraph (1) of the Norinchukin Bank Act, Article 58-5-2, paragraph (1) of the Small and Medium-Sized Enterprise Cooperatives Act, Article 11-5-2, paragraph (1) or Article 11-12-3, paragraph (1) of the Agricultural Cooperatives Act, Article 11-16, paragraph (1) of the Fishery Cooperatives Act (including as applied mutatis mutandis pursuant to Article 92, paragraph (1), Article 96, paragraph (1) and Article 100, paragraph (1) of that Act) or Article 15-16, paragraph (1) of that Act (including as applied mutatis mutandis pursuant to Article 96, paragraph (1) and Article 105, paragraph (1) of that Act), Article 28-2, paragraph (1) of the Shoko Chukin Bank Limited Act, or Article 100-2-2, paragraph (1) or Article 193-2, paragraph (1) of the Insurance Business Act; the same applies in item (xxiv), (c));
- (e) if the entrusting financial instruments business operator is the parent corporation, etc. or subsidiary corporation, etc. of the registered financial institution that entrusts business, or the registered financial institution to which the entrusting financial instruments business operator entrusts business is the parent corporation, etc. or subsidiary corporation, etc. of the entrusting financial instruments business operator (when providing necessary information for conducting all or part of the business set forth in Article 153, paragraph (3), item (vii), limited to when the entrusting financial instruments business operator is a subsidiary corporation, etc. of

registered financial institution which entrusts business, or the registered financial institution to which the entrusting financial instruments business operator entrusts business is the parent corporation, etc. of the entrusting financial instruments business operator), and the entrusting financial instruments business operator provides the necessary information for conducting all or part of the work, etc. on internal management and operation at the registered financial institution (meaning the work on maintenance and management of the electronic data processing system and internal management and operation affairs prescribed in Article 153, paragraph (3); hereinafter the same applies in sub-item (e) and item (xxiv), sub-item (d)) to the registered financial institution (limited to the case in which measures for preventing the leak of the information from the department in charge of the internal management and operation affairs, etc. have been appropriately taken by the the entrusting financial instruments business operator and registered financial institution, and the entrusting financial instruments business operator provides the information to persons other than officers (if the officer is a corporation, including members that are to perform the corporation's duties) and employees that are engaged in financial instruments intermediary services of the registered financial institution), that information; and

- (f) if the financial instruments business operator, etc. is the parent corporation, etc. or subsidiary corporation, etc. of the registered financial institution, financial instruments intermediary service provider or financial service intermediary, or if the registered financial institution, financial instruments intermediary service provider, or financial service intermediary is the parent corporation, etc. or subsidiary corporation, etc. of the financial instruments business operator, etc., information related to a foreign corporation (including a foreign organization that is not a corporation for which a representative person or administrator has been designated);
- (xix) circumstances in which the officer (if the officer is a corporation, including members that are to perform the corporation's duties; hereinafter the same applies in this item) or employee that supervises the business of the organization that conducts financial instruments business or financial instruments intermediary service (limited to the organization that conducts lending operations or financial institution agency services in addition to the business or service) personally acquires undisclosed loan, etc. information of the customer that is the issuer of securities (excluding those set forth in Article 33, paragraph (2), item (i) of the Act, and those set forth in Article 2, paragraph (1), item (xvii) of the Act which have the nature referred to in

- items (i) and (ii) of that paragraph; hereinafter the same applies in this item), or receives the information from an officer or employee engaged in lending operations or financial institution agency services, and solicits the acts set forth in the items of Article 2, paragraph (8) of the Act concerning the securities (including the circumstances in which the officer or employee supervising the business provides an officer or employee engaged in financial instruments business or financial instruments intermediary service with the customer's undisclosed loan, etc. information (excluding corporate information), without obtaining the customer's written consent in advance for the provision of that information);
- (xx) when there are both the prices for purchase and sale, and the matter equivalent to the price for over-the-counter derivatives transactions, circumstances in which the financial instruments business operator, etc. does not present the prices or the matter equivalent to the price at the same time (if the over-the-counter derivatives transaction is a transaction other than an over-the-counter transaction of financial futures or cryptoasset-related over-the-counter derivatives transaction, circumstances in which the price or the matter equivalent to the price is not presented to a customer that is an individual, at the same time);
- (xxi) circumstances in which a financial instruments business operator, etc. has not presented the price or the matter equivalent to the price indicated by the business operator at the time a customer (if the over-the-counter derivatives transactions are transactions other than over-the-counter transactions of financial futures or cryptoasset-related over-the-counter derivatives transactions, limited to an individual) conducts the transaction to the customer that has requested the price or the matter equivalent to the price to be presented;
- (xxi)-2 circumstances in which a financial instruments business operator, etc. has not developed a management system sufficient for settling a currency-related derivatives transaction (referred to as a "loss-cut transaction" in the following item) that is to be conducted if the amount of loss that will occur to be incurred by a customer (limited to an individual (excluding the operating partner, etc. when the operating partner, etc. that satisfies the requirements set forth in Article 10, paragraph (1), item (xxiv), sub-item (b), 1. of the Cabinet Office Order on Definitions under Article 2 of the Financial Instruments and Exchange Act conducts currency-related derivatives transactions (meaning currency-related market derivatives transactions, currency-related over-the-counter derivatives transactions, or currency-related foreign market derivatives transactions; hereinafter the same applies in this item and the following item) as an operating partner, etc.; hereinafter the same applies in this item) reaches the amount calculated by the

- calculation method agreed with the customer in advance (if the operational rules of a financial instruments exchange operating the financial instruments exchange market where the currency-related derivatives transaction is conducted and the business rules of the financial instruments clearing organization that assumes, novates, or in any other way bears the obligations based on currency-related derivatives transactions, provide that if there is a shortfall in either the margin, etc. (meaning a customer margin or other security deposits; hereinafter the same applies in this item) related to a currency-related derivatives transaction or the margin, etc. related to a non-currency-related derivatives transaction that was deposited by the same customer, the shortfall is to be covered by the other margin (limited to the case in which consent is obtained for covering the shortfall by a written consent of the customer or by a method equivalent to any of the methods prescribed in the items of Article 57-3, paragraph (1), and paragraph (2) of that Article), the calculation method that conforms to the provisions);
- (xxi)-3 circumstances in which it is found that a loss-cutting transaction has not been conducted for a currency-related derivatives transaction;
- (xxi)-4 circumstances in which it is found that a financial instruments business operator (excluding the special financial instruments business operator whose parent company (meaning a parent company provided for in Article 57-2, paragraph (8) of the Act) is a designated parent company; hereinafter the same applies in this item through item (xxi)-6 and paragraph (6)) has not conducted a stress test (meaning to calculate the loss that will occur to the financial instruments business operator on the assumption that there has been fluctuations in the foreign exchange rate or other changes, and to analyze the impact of the loss on the soundness of management; the same applies in the following item, and item (xxi)-6 and paragraph (6)) concerning specified currency-related over-the-counter derivatives transactions (meaning the specified currency-related over-the-counter derivatives transactions prescribed in Article 117, paragraph (1), item (xxviii)-2; the same applies in the following item and item (xxi)-6 as provided for by the rules of a financial instruments firms association to which they belong (limited to the rules designated by the Commissioner of the Financial Services Agency (hereinafter referred to as "association rules" in this item through item (xxi)-6 and paragraph (6)); for a financial instruments business operator that does not belong to a financial instruments firms association that has established association rules, the rules designated by the Commissioner of the Financial Services Agency; the same applies in the following item and item (xxi)-6));
- (xxi)-5 circumstances in which it is found that a financial instruments business operator has not taken measures to secure the soundness of management for

- specified currency-related over-the-counter derivatives transactions as provided for in association rules, even though the measures are found to be necessary based on the result of a stress test;
- (xxi)-6 circumstances in which it is found that a financial instruments business operator has not reported the results of a stress test to the financial instruments firms association to which it belongs as provided for by the association rules (for a financial instruments business operator that does not belong to a financial instruments firms association that has established association rules, the Director-General of a Local Finance Bureau having jurisdiction over the locality of the head office, etc. of the financial instruments business operator (if the locality falls within the jurisdictional area of the Fukuoka Local Finance Branch Bureau, to the Director-General of the Fukuoka Local Finance Branch Bureau));
- (xxi)-7 circumstances in which it is found that a financial instruments business operator, etc. has not preserved the information on specified currency-related over-the-counter derivatives transactions as provided for by the rules of the financial instruments firms association to which they belong (limited to the rules designated by the Commissioner of the Financial Services Agency (hereinafter referred to as "association rules" in this item and the following item, and paragraph (7) (for a financial instruments business operator, etc. that does not belong to a financial instruments firms association that has established association rules, rules designated by the Commissioner of the Financial Services Agency; the same applies in the following item));
- (xxi)-8 circumstances in which it is found that a financial instruments business operator, etc. has not reported the information on specified currency-related over-the-counter derivatives transactions to the financial instruments firms association to which they belong as provided for by association rules (for a financial instruments business operator, etc. that does not belong to a financial instruments firms association that has established association rules, to the Director-General of a Local Finance Bureau having jurisdiction over the locality of the head office, etc. of the Financial Instruments Business Operator, etc. (if the locality falls within the jurisdictional area of the Fukuoka Local Finance Branch Bureau, to the Director-General of the Fukuoka Local Finance Branch Bureau));
- (xxi)-9 circumstances in which it is found that the following measures have not been taken for specified over-the-counter transactions of options:
- (a) when seeking to conclude a contract related to a specified over-the-counter transaction of options, to present in advance the exercise price related to the specified over-the-counter transaction of options (if the price is decided by a certain method, its calculation method) to the customer (limited to an individual (excluding the operating partner, etc. that



- satisfies the requirements set forth in Article 10, paragraph (1), item (xxiv), sub-item (b), 1. of the Cabinet Office Order on Definitions under Article 2 of the Financial Instruments and Exchange Act (meaning the operating partner, etc. prescribed in item (xxiii) of that paragraph; hereinafter the same applies in sub-item (a)) if an operating partner, etc. conducts specified over-the-counter transaction of options as an operating partner, etc.); the same applies in sub-item (b)); and
- (b) to ensure that the transaction period and due date of a specified over-the-counter transaction of options are necessary and appropriate for a customer to acquire and grant options or to conduct other transactions, at the amount of consideration calculated in a fair manner based on the exercise period, exercise price and interest rate, currency value, quotations in a financial instrument market, or other actual conditions of indexes, and also based on the investment decisions made based on analysis of value, etc. of financial instruments;
- (xxi)-10 circumstances in which it is found that the measures for performing the following acts have not been taken concerning the variation margin (meaning the margin to be lent or deposited, or delivered by a method equivalent to them (hereinafter referred to as "deposit, etc." in this item and the following item) to a counterparty to the non-cleared over-the-counter derivatives transaction in accordance with the fluctuation of the market value of non-cleared over-the-counter derivatives transactions; hereinafter the same applies in this item, the following item, paragraph (9), and paragraph (10)) concerning non-cleared over-the-counter derivatives transactions (meaning over-the-counter derivatives transactions other than those for which obligations are assumed by a financial instruments clearing organization (if the financial instruments clearing organization conducts collaborating financial instruments obligation assumption services, including a collaborating clearing organization, etc.; the same applies in paragraph (12), item (i), sub-item (c), 1.) or a foreign financial instruments clearing organization or those designated by the Commissioner of the Financial Services Agency prescribed in Article 1-18-2 of the Order; hereinafter the same applies in this item and the following item, and paragraph (8), paragraph (10), and paragraph (12)):
- (a) to calculate every day for each counterparty to non-cleared over-the-counter derivatives transactions, the sum of the market value of non-cleared over-the-counter derivatives transactions and the sum of the market value of the variation margin for which deposit, etc. is made by the counterparty (if variation margin is appropriated by the assets prescribed in paragraph (9), meaning the substitute price of the asset calculated by the method prescribed in paragraph (10); hereinafter the same applies in

- sub-item (a)) or the sum of the market value of the variation margin deposited to the counterparty;
- (b) if the amount calculated by the method specified by the Commissioner of the Financial Services Agency based on the amount calculated pursuant to the provisions of sub-item (a) exceeds the amount determined in advance by the parties as the amount not required to request deposit, etc. or refund of the variation margin (limited to the amount of 70 million yen or less when the sum of the amount determined in advance by the parties as the amount not required to request deposit, etc. of the initial margin prescribed in sub-item (b) of the following item and that amount), to immediately request the counterparty to deposit, etc. of the variation margin equivalent to the calculated amount, or to return the variation margin that has been deposited, etc. to the counterparty;
- (c) to receive deposit, etc. or refund of the variation margin (if there is a difference between the amount of the variation margin and the amount calculated by the counterparty as the amount equivalent to the variation margin, the variation margin equivalent to the amount calculated in advance by the method agreed on by the parties) after requesting for the deposit, etc. or refund of the variation margin pursuant to the provisions of sub-item (b);
- (d) to respond to the request for deposit, etc. or refund of the variation margin made by the counterparty to the non-cleared over-the-counter derivatives transaction based on the acts set forth in sub-items (a) through (c) or an act similar to those acts (including when the acts are conducted based on the provisions of sub-item (e));
- (e) to conduct the acts set forth in sub-items (a) through (d) for each trust property concerning non-cleared over-the-counter derivatives transactions that are accounted as belonging to a trust account;
- (xxi)-11 circumstances in which it is found that measures for conducting the following acts have not been taken for the initial margin (meaning a margin that is deposited, etc. in response to the reasonably estimated amount of costs and losses that may arise in the future concerning non-cleared over-the-counter derivatives transactions (hereinafter referred to as "estimated amount of potential losses, etc." in this item); hereinafter the same applies in this item, paragraph (9), and paragraph (10), and Article 177, paragraph (1), item (iii), sub-item (a)) for non-cleared over-the-counter derivatives transactions (for the transaction set forth in Article 2, paragraph (22), item (v) of the Act (limited to a transaction related to currencies), excluding the part that promises to pay or receive money or financial instruments (limited to those set forth in paragraph (24), item (iii) of that Article) equivalent to the amount of money determined as principal; hereinafter the same applies

in this item):

- (a) if any of the following grounds occurs in relation to the counterparty to a non-cleared over-the-counter derivatives transaction, to calculate sum of the amount of the estimated amount of potential losses, etc. (limited to the amount calculated in advance by the method of using the quantitative calculation model notified to the Commissioner of the Financial Services Agency or other means specified by the Commissioner of the Financial Services Agency) for non-cleared over-the-counter derivatives transactions conducted with the counterparty, and the market value of the initial margin deposited, etc. by the counterparty (if the initial margin is to be appropriated by the assets prescribed in paragraph (9), meaning the substitute price for the assets calculated by the method specified in paragraph (10); hereinafter the same applies in sub-item (a)) and sum of the amount of market value of the initial margin deposited, etc. for the counterparty:
1. if non-cleared over-the-counter derivatives transaction is conducted or terminated, or otherwise there is a change to relationships of rights related to non-cleared over-the-counter derivatives transactions;
  2. if a period of one month has passed from the day when an estimated amount of potential losses, etc. was calculated for the last time;
  3. if it is found necessary to request the counterparty to deposit, etc. the initial margin due to fluctuation in quotation or other reasons (excluding the cases set forth in 1. and 2.);
- (b) to immediately request the counterparty to deposit, etc. the initial margin equivalent to the calculated amount, if the amount calculated by the method specified by the Commissioner of the Financial Services Agency based on the amount calculated pursuant to the provisions of sub-item (a) exceeds the amount determined in advance by the parties as the amount not required to request deposit, etc. of the initial margin (limited to the amount of 70 million yen or less when the amount is added up to the amount specified in advance by the parties as the amount not required to request deposit, etc. or refund of the variation margin provided for in sub-item (b) of the preceding item);
- (c) to receive without delay the deposit, etc. of the initial margin after requesting the deposit, etc. of the initial margin pursuant to the provisions of sub-item (b) (if there is a difference between the amount of the initial margin and the amount calculated by the counterparty as the amount equivalent to the initial margin, to receive without delay the amount calculated by the method agreed on in advance by the parties, and promptly receive the amount arrived at by deducting the amount deposited, etc. from the amount of the initial margin and take other measures for

- eliminating the difference, after receiving the deposit, etc.);
- (d) to manage the initial margin deposited, etc. pursuant to the provisions of sub-item (c) by creating a trust or other similar means so that the margin is made available for use without delay in the case of non-performance of the obligations related to non-cleared over-the-counter derivatives transactions by the counterparty and the initial margin is returned to the counterparty in the case of occurrence of a close-out netting event (meaning a close-out netting event as defined in Article 2, paragraph (4) of the Act Concerning Close-out Netting of Specified Financial Transactions Conducted by Financial Institutions (Act No. 108 of 1998); the same applied in Article 140-3, paragraph (2) and Article 143-2, paragraph (3)) or other similar events to a financial instruments business operator, etc. that has accepted the deposit, etc. of the initial margin;
  - (e) not to provide security or lend initial margin for which the deposit, etc. was made pursuant to the provisions of sub-item (c) (excluding the case this is done incidentally with the management of the prescribed in sub-item (d) by a safe method (limited to the initial margin appropriated by using money));
  - (f) to respond to the request for deposit, etc. of initial margin made based on the acts set forth in sub-items (a) through (c) or an act similar to them (including the cases in which the acts are conducted based on the provisions of sub-item (g)) by the counterparty to a non-cleared over-the-counter derivatives transaction (limited to a party for which measures for conducting the acts set forth in sub-item (d) and (e) are taken); and
  - (g) to conduct the acts set forth in sub-items (a) through (d) for each trust property concerning non-cleared over-the-counter derivatives transactions accounted for as belonging to a trust account;
- (xxii) circumstances in which a financial instruments business operator establishes the head office or other business offices or offices in the same building as that for the head office, other business offices or offices, or agency (including business offices or offices of a bank agent as defined in Article 2, paragraph (15) of the Banking Act, a long-term credit bank agent prescribed in Article 16-5, paragraph (3) of the Long-Term Credit Bank Act, a shinkin bank agent prescribed in Article 85-2, paragraph (3) of the Shinkin Bank Act, a credit cooperative agent prescribed in Article 6-3, paragraph (3) of the Act on Financial Businesses by Cooperatives, a labor bank agent prescribed in Article 89-3, paragraph (3) of the Labor Bank Act, a specific credit business agent prescribed in Article 92-2, paragraph (3) of the Agricultural Cooperatives Act, a specific credit business agent prescribed in Article 106, paragraph (3) of the Fishery Cooperatives Act and a Norinchukin Bank agent as prescribed in Article 95-2, paragraph (3) of the Norinchukin

Bank Act, and agricultural cooperatives, fisheries cooperatives, and fishery processing cooperatives engaged in agency service for business related to the authorization referred to in Article 42, paragraph (3) of the Act on Enhancement and Restructuring of Credit Business Conducted by The Norinchukin Bank and Specified Agricultural and Fishery Cooperative Savings Insurance Cooperation, etc. (Act No. 118 of 1996; referred to as "Enhancement and Restructuring Act" in Article 275, paragraph (1), items (xxiv) and (xxv) and Article 281, item (x)) of a financial institution (meaning a bank, cooperative financial institution, trust company, or other financial institutions set forth in the items of Article 1-9 of the Order) and conducts their business, and it is found that the financial instruments business operator has not taken appropriate measures to prevent customers from mistaking the financial instruments business operator for the financial institution;

- (xxiii) when a financial instruments business operator conducts their business by using a computer connected to a telecommunications line, circumstances in which it is found that the financial instruments business operator has not taken appropriate measures for preventing the customer from mistaking the financial instruments business operator for another person;
- (xxiv) circumstances in which a registered financial institution has provided to the entrusting financial instruments business operator unpublished information on a customer's property or other special information which it has acquired (excluding the following information) without obtaining a written consent from the customer in advance, or has solicited purchase and sale or other transactions of securities by using unpublished information on a customer's property or other special information acquired from the entrusting financial instruments business operator (limited to information other than that set forth in sub-item (e) which has been provided by the entrusting financial instruments business operator without obtaining a written consent from the customer):
  - (a) information which is found necessary to be provided to the entrusting financial instruments business operator, in order for a registered financial institution to conduct intermediation for financial instruments;
  - (b) information that has come to the knowledge of a registered financial institution in conducting financial instruments intermediary service entrusted by the entrusting financial instruments business operator, which is found necessary to be provided to the entrusting financial instruments business operator in order for the registered financial institution to comply with laws and regulations;
  - (c) information found necessary to be provided to the entrusting financial instruments business operator in order for the registered financial

- institution or entrusting financial instruments business operator to comply with the applicable provisions; and
- (d) the information when the registered financial institution is the parent corporation, etc. or a subsidiary corporation, etc. of the entrusting financial instruments business operator (when providing information necessary for conducting all or part of the business set forth in Article 153, paragraph (3), item (vii), limited to cases in which the registered financial institution is a subsidiary corporation, etc. of the entrusting financial instruments business operator, or the entrusting financial instruments business operator is the parent corporation, etc. of the registered financial institution), or when the entrusting financial instruments business operator is the parent corporation, etc. or a subsidiary corporation, etc. of the registered financial institution, and the registered financial institution is to provide information necessary for performing all or part of the work, etc. on internal management and operation is provided to the entrusting financial instruments business operator (limited to the case in which measures have been appropriately taken by the registered financial institution and the entrusting financial instruments business operator in order to prevent the leakage of information from the department that performs the work, etc. on internal management and operation and if persons other than officers (if the officer is a corporation, including members that are to perform the corporation's duties) and employees engaged in financial instruments intermediary services of the registered financial institution provide the information to the entrusting financial instruments business operator);
  - (e) when the registered financial institution is the parent corporation, etc. or a subsidiary corporation, etc. of the entrusting financial instruments business operator or when the entrusting financial instruments business operator is the parent corporation, etc. or a subsidiary corporation, etc. of the registered financial institution, information related to a foreign corporation (including a foreign organization that is not a corporation for which the representative or administrator has been designated);
  - (xxv) when a registered financial institution seeks to conduct intermediation for financial instruments, circumstances in which the registered financial institution has not clarified the following matters to a customer in advance:
    - (a) if there are two or more entrusting financial instruments business operators, and the money or fees, etc. payable by the customer concerning the transaction to the customer seeks to conduct varies depending on the entrusting financial instruments business operator, that fact;
    - (b) the trade name of the entrusting financial instruments business operator that is to be the counterparty to the customer's transaction; and

- (c) in conducting an investment advisory and agency business (excluding an act set forth in Article 28, paragraph (3), item (ii) of the Act; hereinafter the same applies in sub-item (c)), the registered financial institution conducts intermediation for financial instruments for customers of the investment advisory and agency business (excluding the cases in which the amount of the fees, etc. for intermediation for financial instruments to be performed over a certain period of time has been fixed notwithstanding the number of times the intermediation for financial instruments is conducted, and the registered financial institution has clearly indicated the type or amount of the fees, etc. to customers in advance), the amount of fees, etc. receivable due to the intermediation for financial instruments (if the amount of fees, etc. has not been fixed in advance, the calculation method of the amount of fees, etc.);
- (xxvi) circumstances in which in handling a public offering or secondary distribution of securities that are the same as the securities listed on a financial instruments exchange market or over-the-counter traded securities (excluding securities set forth in Article 15-7, item (ii), sub-items (a) through (j) of the Cabinet Office Order on Restrictions on Securities Transactions) (excluding the cases in which they are conducted before the issue price or distribution price of the securities and excluding those in which there is no period that is specified in Article 15-5 of the Cabinet Office Order on Restrictions on Securities Transactions), it is found that that the registered financial institution has not appropriately notified the customers of the following matters in advance in writing or by electronic or magnetic means when it seeks to have customers acquire those securities:
- (a) the fact that a person that requests short selling (excluding the transactions set forth in the items of Article 15-7 or of Article 15-8 of the Cabinet Office Order on Restrictions on Securities Transactions) of securities with the same issue as the securities at financial instruments exchange market, over-the-counter securities market, or of a proprietary trading system (meaning a proprietary trading system prescribed in Article 26-2-2, paragraph (7) of the Order), or their entrustment or brokerage for their entrustment during the period specified in Article 15-5 of the Cabinet Office Order on Restrictions on Securities Transactions, may not settle the borrowing of securities related to the short selling (including those specified in Article 15-6 of the Cabinet Office Order on Restrictions on Securities Transactions; the same applies in sub-item (b)) with securities acquired through the public offering or secondary distribution, pursuant to the provisions of Article 26-6 of the Order; and
- (b) the fact that if a person prescribed in sub-item (a) responds to the public offering or secondary distribution in order to settle the borrowing of

securities related to the short selling that the person has conducted, a financial instruments business operator, etc. may not have the person acquire securities through handling the public offering or secondary distribution;

(xxvii) circumstances in which it is found that that the following measures have not been taken, in cases of performing an act of buying-up prescribed in Article 31 of the Order related to the standard established in Article 62 of the Cabinet Office Order on Restrictions on Securities Transactions (limited to the standard related to item (ii) of that Article),:

(a) in performing an act of buying up, to promise to the counterparty that the purpose of the act of buying-up is to resell share certificates, etc. that are bought up by the buying up (meaning share certificates, etc. prescribed in Article 31 of the Order; the same applies in sub-item (b)) immediately after the act of buying up; and

(b) if there is a possibility that the share certificates, etc. that are bought-up by the act of buying up may not be resold immediately after the act of buying up, to disclose the following matters in accordance with the measures of disclosure prescribed in Article 30 of the Order:

1. the fact that the act of buying up has been conducted;
2. the issues of share certificates, etc. that have been bought up by the act of buying up;
3. the sum of the number of voting rights related to share certificates, etc. bought up by the act of buying up (meaning the number of voting rights prescribed in Article 31 of the Order); and
4. the fact that there is a possibility that share certificates, etc. bought up by the act of buying up may not be resold immediately after the act of buying up;

(xxviii) in cases of concluding a discretionary investment contract under the provisions of Article 130-2, paragraph (1) of the Employees' Pension Insurance Act (Act No. 115 of 1954; hereinafter referred to as the "former Employees' Pension Insurance Act" in this item and Article 233-2, paragraph (4), item (ii)) before the amendment pursuant to the provisions of Article 1 of the 2013 Employees' Pension Amendment Act that is to remain effective pursuant to the provisions of Article 5, paragraph (1) of the Act Partially Amending the Employees' Pension Insurance Act, etc. to Ensure the Soundness and Reliability of the Public Pension System (Act No. 63 of 2013; hereinafter referred to as "2013 Employees' Pensions Amendment Act" in this item and Article 233-2, paragraph (4), item (ii)) and based on the discretionary investment contract managing the pension benefit funds prescribed in paragraph (2) of that Article (hereinafter referred to as "fund management" in this item and Article 130, paragraph (1), item (xiv)), and the



- surviving employee's pension fund (meaning the surviving employee's pension fund provided for in Article 3, item (xi) of the Supplementary Provisions of the 2013 Employees' Pension Amendment Act; the same applies hereinafter) that is not a professional investor who is the counterparty to the discretionary investment contract, presents the matters prescribed in Article 136-4, paragraph (2) of the former Employees' Pension Insurance Act which remains in force pursuant to the provisions of Article 5, paragraph (1) of the Supplementary Provisions of the 2013 Employees' Pension Amendment Act, circumstances in which a system sufficient to appropriately explain to the surviving employee's pension fund the prospect of profit and possibility of loss to be incurred from the fund management in accordance with the matters presented in light of the knowledge, experience, and status of property of the employees' pension fund and the purpose of concluding a discretionary investment contract;
- (xxix) in the cases prescribed in Article 130, paragraph (1), item (xv), circumstances in which it is found that a financial instruments business operator that invests the investment property referred to in that item, has not informed the matters set forth in Article 134, paragraph (1), item (ii), (b) related to the subject securities referred to in that item stated in the investment report referred to in Article 42-7, paragraph (1) of the Act that have been delivered to the right holder related to the investment property, to the trust company, etc. referred to in Article 130, paragraph (1), item (xv) after the delivery without delay;
- (xxx) circumstances in which it is found that a qualified institutional investor is not appropriately performing the acts set forth in the items of Article 63, paragraph (1) of the Act, taking into account the fact that the qualified institutional investor investing in a business subject to investment is only a qualified institutional investor that is a subsidiary company, etc. of the notifier of specially-permitted business and other situations.
- (xxxii) circumstances in which it is found that a financial instruments business operator, etc. has not taken necessary measures to ensure that purchase and sale or other transactions of securities related to cryptoassets that are found to be likely to hinder the protection of investors or the proper and secure execution of financial instruments business, etc. in light of the characteristics of cryptoassets and their own operational system are excluded from the subject of the financial instruments business, etc. they conduct;
- (xxxiii) circumstances in which it is found that a financial instruments business operator, etc. with regard to cryptoasset-related derivatives transactions, etc. (meaning cryptoasset-related derivatives transactions, etc. prescribed in Article 185-22, paragraph (1), item (i) of the Act; hereinafter the same applies in this item and Article 232, item (iv)) that they conduct, in

- accordance with the trend or content of the order for cryptoasset-related derivatives transactions, etc. by customers of financial instruments business, etc. and other situations, examine whether customer have violated the provisions of Article 185-22, paragraph (1), Article 185-23, paragraph (1), or Article 185-24, paragraph (1) or (2) of the Act, and if the customer is suspected of violating the provisions, has not taken measures to suspend transactions related to financial instruments business, etc. with the customer, or other necessary measures for preventing unfair acts related to cryptoasset-related derivatives transactions, etc.;
- (xxxiii) circumstances in which it is found that a financial instruments business operator, etc. has not sufficiently managed trading to prevent derivative transactions for the cryptoassets, etc., that would result in the formation of manipulative quotations not reflecting actual market status through causing fluctuations in the quotations of the cryptoassets, etc. or figures calculated based on quotations or transaction volumes, or by increasing the transaction volumes or acts to prevent their application, entrustment, etc. or accepting entrustment, etc.;
- (xxxiv) circumstances in which it is found that a financial instruments business operator, etc. has not taken necessary measures for appropriately managing material information concerning cryptoassets, etc. related to purchase and sale or other transactions of securities that the financial instruments business operator, etc. uses or seeks to use as the target of their financial instruments business, or concerning the financial instruments business operator, etc. which is found to have an impact on customers' decision on purchase and sale or other transactions of securities related to cryptoassets, etc. (excluding cases in which the material information has been made readily accessible to all customers of the financial instruments business, etc. conducted by the financial Instruments Business Operator, etc.);
- (xxxv) circumstances in which a management system for appropriately settling a cryptoasset-related derivatives transaction (meaning a cryptoasset-related market derivatives transaction, cryptoasset-related over-the-counter derivatives transaction, or cryptoasset-related foreign market derivatives transaction; hereinafter the same applies in this item and the following item) to be performed when the amount of losses that the customer incurs (limited to an individual (if an operating partner, etc. (meaning an operating partner, etc. prescribed in Article 10, paragraph (1), item (xxiii) of the Cabinet Office Order on Definitions under Article 2 of the Financial Instruments and Exchange Act; hereinafter the same applies in this item) who satisfies the requirements set forth in item (xxiv), sub-item (b), 1. of that paragraph conducts a cryptoasset-related derivatives transaction as an

- operating partner, etc., excluding the operating partner, etc.); hereinafter the same applies in this item) when the customer settled a cryptoasset-related derivatives transaction conducted on their own account reaches the amount calculated by the calculation method agreed on with the customer in advance (the transaction is referred to as a "loss-cut transaction" in the following item); and
- (xxxvi) circumstances in which it is found that a loss-cut transaction has not been conducted for a cryptoasset-related derivatives transaction.
- (2) In applying the provisions of items (xviii) and (xxiv) of the preceding paragraph, if a registered financial institution is the parent corporation, etc. or a subsidiary corporation, etc. of the entrusting financial instruments business operator, or if the entrusting financial business operator is the parent corporation, etc. or a subsidiary corporation, etc. of a registered financial institution, when a registered financial institution or the entrusting financial instruments business operator has appropriately provided to a customer (limited to corporations; hereinafter the same applies in this paragraph) the opportunity to request suspension of the provision of unpublished information on the customer's property or other special information (hereinafter referred to as "special information" in this paragraph) to the entrusting financial instruments business operator or the registered financial institution (hereinafter the provision is referred to as the "provision of special information" in this paragraph), a written consent from the customer for the provision of special information is deemed to have been obtained until the customer requests the suspension; provided, however, that this does not apply if an officer (if an officer is a corporation, including members that are to perform the corporation's duties) or employee engaged in the financial instruments intermediary services of the registered financial institution provides special information to the entrusting financial instruments business operator or receives special information from the entrusting financial instruments business operator:
- (3) The term "currency-related market derivatives transaction" as used in paragraph (1), item (xxi)-2 means a market derivatives transaction for currency that is a transaction set forth in Article 2, paragraph (21), item (i) or (ii) of the Act, or a transaction set forth in item (iii) of that paragraph (limited to the transaction for which a transaction closed by exercising the right prescribed in that item is a transaction set forth in sub-item (a) of that item or a transaction set forth in sub-item (b) of that item (limited to the transaction concerning a transaction set forth in item (i) or (ii) of that paragraph, or an equivalent transaction that is related to those specified by a financial instruments exchange)).
- (4) The term "currency-related over-the-counter derivatives transaction" as used

- in paragraph (1), item (xxi)-2 means an over-the-counter derivatives transaction for currency that is a transaction set forth in Article 2, paragraph (22), item (i) or (ii) of the Act, a transaction set forth in item (iii) of that paragraph (limited to a transaction for which a transaction closed by exercising the right prescribed in that item is a transaction set forth in item (i), item (ii), or item (iii), sub-item (a) of that paragraph), or a transaction set forth in item (iv) of that paragraph.
- (5) The term "currency-related foreign market derivatives transaction" as used in paragraph (1), item (xxi)-2 means a foreign market derivatives transaction that is similar to a currency-related market derivatives transaction prescribed in paragraph (3).
- (6) The following matters must be provided in the association rules specified in paragraph (1), items (xxi)-4 through (xxi)-6:
- (i) matters concerning financial instruments business operators that conduct a stress test pursuant to the association rules;
  - (ii) matters concerning foreign exchange rate fluctuations and other changes to be assumed in a stress test that the financial instruments business operator conducts pursuant to the association rules;
  - (iii) matters concerning the frequency of a financial instruments business operator performing a stress test pursuant to the association rules;
  - (iv) matters concerning the calculation method of losses that may arise to the financial instruments business operator and the analysis of the impact of the loss on the soundness of management by the financial instruments business operator in the stress test that the financial instruments business operator conducts pursuant to the association rules;
  - (v) matters concerning the measures to ensure the soundness of management prescribed in item (xxi)-5 of paragraph (1);
  - (vi) matters concerning a report related to the results of a stress test performed pursuant to the association rules; and
  - (vii) in changing the association rules, the fact that the content of the change is to be notified to the Commissioner of the Financial Services Agency in advance.
- (7) The following matters must be provided in the association rules prescribed in paragraph (1), items (xxi)-7 and (xxi)-8:
- (i) the following matters concerning the information on specified currency-related over-the-counter derivatives transactions preserved by a financial instruments business operator, etc.:
    - (a) the content of the information; and
    - (b) the method and period of preserving the information; and
  - (ii) the following matters concerning the information on specified currency-related over-the-counter derivatives transactions a financial instruments

- business operator, etc. reports:
- (a) the content of the information;
  - (b) the method and frequency of reporting the information; and
  - (c) the method of analyzing the information and the result of the analysis;
- and
- (iii) in changing the association rules, the fact that the content of the change is to be notified to the Commissioner of the Financial Services Agency in advance.
- (8) The term "specified over-the-counter transactions of options" as used in paragraph (1), item (xxi)-7 means over-the-counter derivatives transactions that are transactions set forth in Article 2, paragraph (22), item (iii) of the Act (limited to those for which the transaction closed by the exercise of the right prescribed in that item is the transaction set forth in item (ii) of that paragraph) or transactions set forth in item (iv) of that paragraph for which a specified amount of money will be delivered or received if an option related to those transactions is exercised.
- (9) If a financial instruments business operator, etc. takes the measures set forth in the following items, they may include one or more transactions specified in those item in accordance with the category of the measures set forth in each item, in the non-cleared over-the-counter derivatives transactions for which the measures are taken (limited to the case in which those one or more transactions are continuously included in the non-cleared over-the-counter derivatives transactions in relation to the counterparty to the transactions):
- (i) the measures set forth in paragraph (1), item (xxi)-8: the following transactions:
    - (a) over-the-counter commodity derivatives transactions (excluding transactions for which a commodity clearing organization (meaning a commodity clearing organization as defined in Article 2, paragraph (18) of the Commodity Derivatives Transaction Act) or a corporation established in conformity with foreign laws and regulations, which is engaged in the same type of business as commodity transaction obligation assumption services (meaning the commodity transaction obligation assumption services prescribed in paragraph (17) of that Article) or the same type of business as the business prescribed in Article 170, paragraph (1) of that Act; the same applies in the following item and paragraph (12) assumes the obligations);
    - (b) foreign exchange futures transactions;
    - (c) transactions which fall under the transaction set forth in the items of paragraph (11) at the time when a non-cleared over-the-counter derivatives transaction is conducted (hereinafter referred to as "base time" in this paragraph, paragraph (11), and paragraph (12));

- (d) transaction conducted based on a written master agreement (meaning a written master agreement as defined in Article 2, paragraph (5) of the Act Concerning Close-out Netting of Specified Financial Transactions Conducted by Financial Institutions; hereinafter the same applies in this paragraph, Article 140-3, paragraph (2), and Article 143-2, paragraph (3)) in which a close-out netting (meaning a close-out netting as defined in Article 2, paragraph (6) of that Act; hereinafter the same applies in this paragraph, paragraph (11) and paragraph (12), Article 140-3, paragraph (2), and Article 143-2, paragraph (3)) has been agreed on (limited to cases in which a financial instruments business operator, etc. conducts non-cleared over-the-counter derivatives transactions related to the measures referred to in paragraph (1), item (xxi)-8 based on the master agreement, and excluding the transactions set forth in sub-items (a) through (c));
- (ii) the measure set forth in paragraph (1), item (xxi)-9: the following transactions:
  - (a) for the transaction set forth in Article 2, paragraph (22), item (v) of the Act (limited to a transaction related to currency), the part for which money or financial instruments (limited to those set forth in paragraph (24), item (iii) of that Article) equivalent to the amount determined as principal are promised to be delivered or received;
  - (b) over-the-counter commodity derivatives transactions;
  - (c) foreign exchange futures transactions;
  - (d) transactions which fall under the transaction set forth in the items of paragraph (12) at the base time;
  - (e) transactions conducted based on a written master agreement in which a close-out netting has been agreed upon (limited to cases in which a financial instruments business operator, etc. conducts non-cleared over-the-counter derivatives transactions related to the measures referred to in paragraph (1), item (xxi)-9 based on the written master agreement, and excluding the transactions set forth in sub-items (a) through (d)).
- (10) Variation margin and initial margin are to be appropriated using money or other assets designated the Commissioner of the Financial Services Agency.
- (11) If all or part of the variation margin and initial margin is to be appropriated using the assets provided for in the preceding paragraph, the substitute price is the amount specified in the following items in accordance with the category of the cases set forth in each of those items or the amount to be calculated by the method set forth in each of those items:
  - (i) if the variation margin is to be appropriated using money: the amount of money;
  - (ii) if the type of currency concerning the asset and the type of currency determined in advance by the parties to the non-cleared over-the-counter

- derivatives transaction for one or more non-cleared over-the-counter derivatives transactions are the same (excluding the cases specified in the preceding item): the amount arrived at by deducting the amount arrived at by multiplying the market value of the asset by the ratio specified by the Commissioner of the Financial Services Agency as the ratio to be multiplied by the market value of the asset, from the market value of the asset;
- (iii) if the type of currency concerning the asset and the type of currency determined in advance by the parties to the non-cleared over-the-counter derivatives transaction for one or more non-cleared over-the-counter derivatives transactions are different (excluding the cases set forth in item (i)): the amount arrived at by deducting the amount arrived at by multiplying the market value of the asset by the ratio set forth in the following sub-item (a) and the amount arrived at by multiplying the market value of the asset by the ratio set forth in the following sub-item (b) from the market value of the asset:
- (a) the ratio prescribed in the preceding item; and
- (b) the ratio specified by the Commissioner of the Financial Services Agency as the ratio to be multiplied when the type of currency concerning the asset and the type of currency determined in advance by the parties to the non-cleared over-the-counter derivatives transaction for one or more non-cleared over-the-counter derivatives transactions are different.
- (12) The provisions of paragraph (1), item (xxi)-8 do not apply to a transaction which falls under any of the following items at the base time:
- (i) the transaction when one of the parties to the transaction is a person other than a financial instruments business operator, etc. (excluding a person that falls under both of the following persons):
- (a) a person that conducts over-the-counter derivatives transactions on a regular basis in a foreign country (limited to a country in which the fact that a close-out netting or an agreement similar to a close-out netting has been properly confirmed to be effective, in light of the laws and regulations of the foreign country) (excluding a foreign government, a foreign central bank, the Multilateral Development Bank, and the Bank for International Settlements (referred to as "foreign governments, etc." in item (i), sub-item (a) of the following paragraph);
- (b) judging reasonably from the status of transactions or other circumstances, a person for which the average total amount of notional principal for over-the-counter derivatives transactions at the end of each month during the period from April of the year two years before the year in which the base time belongs to March of the year preceding the year in which the base time belongs (if the base time is in December, the period from April of the preceding year to March of the relevant year) is expected to be 300 billion

yen or more,;

- (ii) among the transactions for which accounting is done by considering them as belonging to a trust account, those related to a trust property whose average total amount of notional principal of over-the-counter derivatives transactions (limited to the transactions that are subject of trade data (meaning trade data prescribed in Article 156-63, paragraph (3) of the Act; the same applies in item (iv), sub-item (b), the following paragraph, and Article 125-7, paragraph (2), item (iii), sub-item (b))) at the end of each month during the period from April of the year two years before the year in which the base time belongs to March of the year preceding the year in which the base time belongs (if the base time is in December, the period from April of the preceding year to March of the relevant year) is less than 300 billion yen;
- (iii) the transaction in which the counterparty is the parent company, etc., a subsidiary company, etc., or a subsidiary company, etc. of the parent company, etc. of a financial instruments business operator, etc. that conducts transactions (excluding the financial instruments business operator, etc.);
- (iv) the transaction in which one party or both parties fall under any of the following persons (for a person set forth in sub-item (b), excluding a transaction to be accounted as belonging to a trust account):
  - (a) a financial instruments business operator, etc. that is not a bank which is a financial instruments business operator or registered financial institution engaged in type-I financial instruments business, The Shoko Chukin Bank, Ltd., the Development Bank of Japan, a federation of Shinkin banks whose district is the entire nation, The Norinchukin Bank, or an insurance company;
  - (b) a financial instruments business operator, etc. whose average total amount of notional principal for the over-the-counter derivatives transactions (limited to the transactions that are subject to trade data, and excluding those accounted for as belonging to a trust account) at the end of each month during the period from April of the year two years before the year in which the base time falls to March of the year preceding the year in which the base time falls (if the base time is in December, the period from April of the preceding year to March of the relevant year) is less than 300 billion yen (excluding a person specified in sub-item (a); and
- (v) the transaction in the case designated by the Commissioner of the Financial Services Agency as a transaction found to involve no risk of conflicting with public interest or compromising the protection of investors even when the measures prescribed in paragraph (1), item (xxi)-8 are not taken for the reasons that it conforms to foreign laws and regulations found to be equivalent to the measures specified in that item or other circumstances for



a financial instruments business operator, etc.

(13) The provisions of paragraph (1), item (xxi)-9 do not apply to a transaction that falls under any of the following items at the base time:

(i) a transaction in which one of the parties is a person other than a financial instruments business operator, etc. (excluding a person that falls under all of the following persons):

(a) a person engaged in over-the-counter derivatives transactions on a regular basis in a foreign country (limited to a country in which the agreement on a close-out netting or an agreement similar to that is appropriately confirmed to be effective, in light of the laws and regulations of that foreign country) (excluding the foreign government, etc.);

(b) judging reasonably from the status of transaction or other circumstances, a person for which the average total amount of notional principal for an over-the-counter derivatives transactions at the end of each month during the period from April of the year two years before the year in which the base time falls to March of the year preceding the year in which the base time falls (if the base time is in December, the period from April of the preceding year to March of the relevant year) is expected to be 300 billion yen or more;

(c) judging reasonably from the status of transaction or other circumstances, a person for which the average total amount of notional principal for the following transactions (limited to the transactions in which both parties are other than the person specified in sub-item (a) or item (iv), sub-item (a)) (if the parties to the transaction have a parent company, etc., a subsidiary company, etc. or a subsidiary company, etc. of a parent company, etc. (excluding the parties to the transaction), including the sum of the notional principal of those transactions conducted by those persons (excluding the total amount of notional principal of the transaction among those persons)) at the end of each month during the period from March to May of the year preceding the year in which the base time belongs (if the base time is in the period from September to December, the period from March to May of the relevant year) is expected to exceed 1.1 trillion yen,:

1. over-the-counter commodity derivatives transactions (excluding transactions for which a financial instruments clearing organization, a foreign financial instruments clearing organization or a corporation incorporated based on foreign laws and regulations which conducts the same type of business as financial instruments debt assumption service in a foreign country assumes the obligations);
2. over-the-counter commodity derivatives transactions;
3. foreign exchange futures transactions;

(ii) a transaction for which the accounting is done as a transaction belonging to

- a trust account, which is related to a trust property that falls under any of the following trust property;
- (a) a trust property for which the average total amount of notional principal for an over-the-counter derivatives transaction (limited to the transaction that is subject to trade data) at the end of each month during the period from April of the year two years before the year in which the base time falls to March of the year preceding the year in which the base time falls (if the base time is in December, the period from April of the preceding year to March of the relevant year) is less than 300 billion yen;
  - (b) a trust property for which the average total amount of notional principal for the following transactions (limited to the transactions in which both parties are other than the person prescribed in sub-item (a) of the preceding item or item (iv), (a)) at the end of each month during the period from March to May of the year preceding the year in which the base time falls (if the base time is in the period from September to December, the period from March to May of the relevant year) is 1.1 trillion yen or less:
    - 1. non-cleared over-the-counter derivatives transactions;
    - 2. over-the-counter commodity derivatives transactions;
    - 3. foreign exchange futures transactions;
  - (iii) a transaction in which the counterparty is a parent company, etc., a subsidiary company, etc., or a subsidiary company, etc. of the parent company, etc. (excluding the financial instruments business operator, etc.) of the financial instruments business operator, etc. that conducts transactions;
  - (iv) a transaction in which one or both parties fall under any of the following persons (for persons set forth in sub-item (b) and (c), excluding a transaction for which accounting is done as a transaction belonging to a trust account):
    - (a) a financial instruments business operator, etc. which is not a bank that is a financial instruments business operator or registered financial institution that conducts type I financial instruments business, The Shoko Chukin Bank, Ltd., the Development Bank of Japan, a federation of Shinkin banks whose district is the entire nation, The Norinchukin Bank or an insurance company;
    - (b) a financial instruments business operator, etc. for which the average total amount of notional principal for the over-the-counter derivatives transaction (limited to the transaction subject to trade data, and excluding those for which accounting is done as a transaction belonging to a trust account) at the end of each month during the period from April of the year two years before the year in which the base time falls in March of the year preceding the year in which the base time falls (if the base time falls in December, the period from April of the preceding year to March of the relevant year) is less than 300 billion yen (excluding a person specified in

- sub-item (a));
- (c) among financial instruments business operators, etc., one whose average total amount of notional principal for the following transactions (limited to the transactions in which both parties are other than the person specified in item (i), (a) or sub-item (a) of this item) (if the financial instruments business operator, etc. has a parent company, etc., a subsidiary company, etc. or a subsidiary company, etc. of a parent company, etc. (excluding the financial instruments business operator, etc.), including the sum of the notional principal of those transactions conducted by those persons (excluding the total amount of notional principal of the transactions conducted among those persons)) at the end of each month during the period from March to May of the year preceding the year in which the base time falls (if the base time is in the period from September to December, the period from March to May of the relevant year) is 1.1 trillion yen or less (excluding the persons set forth in sub-items (a) and (b)):
1. non-cleared over-the-counter derivatives transactions (for the transaction conducted by a person other than a business counterparty to financial instruments debt assumption services as defined in Article 2, paragraph (28) of the Act, excluding transactions for which a corporation incorporated based on foreign laws and regulations which conducts the same type of business as financial instruments debt assumption services in a foreign country assumes the obligation);
  2. over-the-counter commodity derivatives transactions;
  3. foreign exchange futures transactions;
- (v) the transaction in the case designated by the Commissioner of the Financial Services Agency as a transaction found to involve no risk of conflicting with public interest or compromising the protection of investors even when the measures prescribed in paragraph (1), item (xxi)-9 are taken for the reasons that the transaction conforms to foreign laws and regulations found to be equivalent to the measures prescribed in that item or other circumstances for a financial instruments business operator, etc.
- (14) The term "cryptoasset-related market derivatives transaction" as used in paragraph (1), item (xxxv) means a market derivatives transaction for cryptoassets that is a transaction set forth in Article 2, paragraph (21), item (i) or (ii) of the Act, or a transaction set forth in item (iii) of that paragraph (limited to the transaction for which a transaction closed by exercising the right prescribed in that item is a transaction set forth in sub-item (a) of that item or a transaction set forth in sub-item (b) of that item (limited to the transaction related to a transaction set forth in item (i) or (ii) of that paragraph, or an equivalent transaction that is related to those specified by a financial instruments exchange)).

- (15) The term "cryptoasset-related over-the-counter derivatives transaction" as used in paragraph (1), item (xxxv) means an over-the-counter derivatives transaction for cryptoassets that is a transaction set forth in Article 2, paragraph (22), item (i) or (ii) of the Act, a transaction set forth in item (iii) of that paragraph (limited to the transaction for which a transaction closed by exercising the right prescribed in that item is a transaction set forth in item (i), item (ii), or item (iii), (a) of that paragraph), or a transaction set forth in item (iv) of that paragraph.
- (16) The term "cryptoasset-related foreign market derivatives transaction" as used in paragraph (1), item (xxxv) means a foreign market derivatives transaction that is similar to a cryptoasset-related market derivatives transaction prescribed in paragraph (14).

(Best Execution Policy)

Article 124 (1) The securities specified by Cabinet Office Order as prescribed in Article 16-6, paragraph (1), item (i) of the Order are as follows:

- (i) share certificates;
  - (ii) corporate bond certificates with share options;
  - (iii) share option certificates;
  - (iv) securities set forth in Article 2, paragraph (1), item (vi) of the Act;
  - (v) preferred equity securities;
  - (vi) beneficiary certificates of investment trusts or foreign investment trusts;
  - (vii) investment securities, or foreign investment securities similar to them;
  - (viii) certificates of investment equity subscription rights, or foreign investment securities that are similar to certificates of investment equity subscription rights;
  - (ix) securities set forth in Article 2, paragraph (1), item (xiv) of the Act; and
  - (x) securities set forth in Article 2, paragraph (1), item (xvii) of the Act which have the nature of securities set forth in items (i) through (v) or the preceding item.
- (2) Based on the provisions of Article 40-2, paragraph (2) of the Act, a financial instruments business operator, etc. must publicize at their head office, etc. the best execution policy, etc. (meaning the best execution policy, etc. prescribed in paragraph (1) of that Article; hereinafter the same applies in this Article) through posting the policy in a clearly visible manner, or making it available for public inspection, and in the cases falling under any of the following items, by the means set forth set forth in each of those items:
- (i) if a financial instruments business operator, etc. receives a customer's order (hereinafter referred to as "customer's order" in this paragraph) related to the transactions of securities, etc. (meaning the transactions of securities, etc. prescribed in Article 40-2, paragraph (1) of the Act; the same applies in

- paragraph (5), item (i)) at its business office, office, or other places (excluding their head office, etc.; hereinafter referred to as the "business office, etc." in this item): posting the best execution policy, etc. in a clearly visible manner or making it available for public inspection, at each business office, etc. for receiving a customer's order; or
- (ii) if a financial instruments business operator, etc. receives a customer's order by automatically transmitting messages by means of wireless or cable transmission (hereinafter referred to as "automatically transmit" in this item) at the request of the public and for the purpose of being directly received by the public (excluding the cases falling under the cases set forth in the preceding item): to automatically transmit the best execution policy, etc., or to transmit it by mail or using a facsimile device, at the customers' request.
- (3) A financial instruments business operator, etc. must state the best execution policy, etc. in the document to be delivered pursuant to the provisions of Article 40-2, paragraph (4) of the Act.
- (4) The period specified by Cabinet Office Order as prescribed in Article 40-2, paragraph (5) of the Act is three months.
- (5) The following matters must be stated in a document explaining the fact that the order has been executed in accordance with the best execution policy, etc. prescribed in Article 40-2, paragraph (5) of the Act (hereinafter referred to as the "best execution explanatory document" in the following paragraph):
- (i) the issue and volumes of the transactions of securities, etc. related to the orders, and distinction of whether it is a transaction for sale or purchase;
- (ii) the date and time of the receipt of the order; and
- (iii) the contract date and time, the financial instruments exchange market that has executed the order, and other methods of executing the order.
- (6) A financial instruments business operator, etc. that seeks to deliver the best execution explanatory document pursuant to the provisions of Article 40-2, paragraph (5) of the Act must deliver the document to the customer within 20 days from the day when the customer requested the delivery (if consent has been obtained from a customer that is a professional investor, within the period consented (limited to a period of 20 days or longer)).

(Cases When Separate Management Is Ensured)

Article 125 The cases specified by Cabinet Office Order as prescribed in Article 40-3 of the Act are those in which for the person that conducts business by allotting the money invested or contributed in relation to the rights or securities prescribed in that Article (including the person who executes the operation of that business; hereinafter referred to as the "business operator" in this Article), it is ensured that the money will be managed separately from the

business operator's own property or the property related to other businesses conducted by the business operator through the requirement to meet the following criteria pursuant to the articles of incorporation of the business operator (including certificate of incorporation concerning the business, other contracts, or juridical acts related to the right or securities):

- (i) that the subject of the business and the method of the business operation to be conducted by the business operator using the money have been clarified, the accounting of the properties related to the business is handled separately for each property, and the content of those matters is appropriate in protecting investors;
- (ii) that the money is appropriately managed through any of the following methods:
  - (a) by making a deposit with another financial instruments business operator, etc. (only if the other financial instruments business operator, etc. accepts the money as securities, etc. management business), or with a person engaged in securities, etc. management business in a foreign country in accordance with foreign laws and regulations;
  - (b) by setting up a savings account at a bank, cooperative financial institution, The Shoko Chukin Bank, Ltd., or with a person that conducts the business set forth in Article 10, paragraph (1), item (i) of the Banking Act in a foreign country in accordance with foreign laws and regulations (limited to the cases in which it is obvious from the holder's name that the money in the saving account is that money);
  - (c) by creating a money trust that has an agreement on compensation for loss of principal with a financial institution engaged in trust business or with a person that conducts trust business in a foreign country in accordance with foreign laws and regulations (limited to cases in which it is obvious from the right holder's name that the money is that money); and
  - (d) by entrusting the management to a cryptoasset exchange service provider, etc. (including the entrustment of the management to a person whose management of cryptoassets for another person on a regular basis is specially provided in a law other than the Payment Services Act, and limited to the case in which it is obvious from the holder's name that the cryptoasset is that money).

(Persons Not Considered to be General Investors)

Article 125-2 (1) The persons specified by Cabinet Office Order as prescribed in Article 40-4 of the Act are as follows:

- (i) a person that is a director, etc. of the issuer of the securities for professional investors (meaning a director, company auditor, executive officer, board member, auditor or a person that is equivalent to them), and, under the

- person's own name or another person's name, holds the voting rights exceeding 50 percent of the voting rights held by all the shareholders, etc. of the issuer (including the voting rights related to a share or contribution that may not be duly asserted against the issuer pursuant to the provisions of Article 147, paragraph (1) or Article 148, paragraph (1) (including as applied mutatis mutandis pursuant to Article 228, paragraph (1), Article 235, paragraph (1), Article 239, paragraph (1) and Article 276 (limited to the parts related to item (ii))); hereinafter referred to as the "subject voting rights" in this Article) (hereinafter the person is referred to as the "specified officer" in this Article), or the controlled corporation, etc. of the specified officer (the issuer is excluded from the controlled corporation, etc.);
- (ii) a company which holds the subject voting rights exceeding 50 percent of the voting rights held by all the shareholders, etc. of the issuer of the securities for professional investors under its name or another person's name (excluding the person specified in the preceding item);
  - (iii) an officer, etc. of the issuer of the securities for professional investors (limited to the securities set forth in the following sub-items) (the officer, etc. is limited to a person that conducts purchase of the securities for professional investors (limited to a purchase made based on a contract which provides that the officer, etc. jointly with other officers, etc. of the issuer, continuously conducts purchase in accordance with a fixed plan, not based on individual investment decisions, and by the amount to be contributed by each of the officers, etc. at one time is less than one million yen), and excluding the person specified in item (i)):
    - (a) securities set forth in Article 2, paragraph (1), item (ix) of the Act;
    - (b) among the securities set forth in Article 2, paragraph (1), item (xi) of the Act, those that are investment securities, investment equity subscription rights certificates, or foreign investment securities, which are similar to the investment securities or investment equity subscription rights certificates;
    - (c) among the securities set forth in Article 2, paragraph (1), item (xvii) of the Act, those that have nature of the securities set forth in item (ix) of that paragraph;
    - (d) certificates of a beneficial interest in a securities trust (meaning the certificates of a beneficial interest in a securities trust prescribed in Article 2-3, item (iii) of the Order; the same applies hereinafter) for which the securities set forth in sub-items (a) through (c) are the entrusted securities (meaning the entrusted securities prescribed in that item; the same applies hereinafter); and
    - (e) securities set forth in Article 2, paragraph (1), item (xx) of the Act, which indicate the rights related to the securities set forth in sub-items (a)

through (c).

- (2) If the specified officer and their controlled corporation, etc. jointly hold subject voting rights that exceed 50 percent of the voting rights held by all shareholders, etc. of another corporation (meaning a corporation or other organizations; hereinafter the same applies in this Article) in their own name or another person's name, the other corporation, etc. is deemed to be the controlled corporation, etc. of the specified officer, and the provisions of item (i) of the preceding paragraph and this paragraph apply.
- (3) The term "controlled corporation, etc." as used in paragraph (1), item (i) and the preceding paragraph means the other corporation, etc. if a specified officer holds subject voting rights that exceed 50 percent of the voting rights held by all the shareholders, etc. of that other corporation, etc. in their own name or another person's name.
- (4) The term "officer, etc." as used in paragraph (1), item (iii) means an officer, etc. prescribed in Article 1-3-3, item (v) of the Order.

(Exception to Restrictions on Purchase and Sale of Securities for Professional Investors)

Article 125-3 The cases specified by Cabinet Office Order as prescribed in Article 40-4 of the Act are as follows:

- (i) if the financial instruments business operator, etc. conducts any of the following acts not based on solicitation to general investors (meaning the general investors prescribed in Article 40-4 of the Act; hereinafter the same applies in this Article and Article 125-6, paragraph (2), item (iv)):
  - (a) purchase made from a general investor as the counterparty;
  - (b) brokerage or agency services for general investors concerning a sale (excluding a sale made to a general investor as the counterparty);
  - (c) intermediation, brokerage, or agency services for the purchase made for a person (excluding general investors) that makes purchases from a general investor;
  - (d) intermediation, brokerage, or agency services concerning entrustment of sales on the financial instruments exchange market or the foreign financial instruments exchange market conducted for general investors; and
  - (e) intermediation, brokerage, or agency services concerning the entrustment of sales conducted for a person who is entrusted the sale on the financial instruments exchange market or the foreign financial instruments exchange market from a general investor.
- (ii) if the financial instruments business operator, etc. makes a sale of share certificates, etc. (meaning the share certificates, etc. prescribed in Article 27-2, paragraph (1) of the Act; the same applies in the following item) related to the tender offer prescribed in that paragraph (limited to cases in which the



provisions of the main text of that paragraph is applicable; the same applies in the following item);

- (iii) if the financial instruments business operator, etc. conducts intermediary or agency services for the purchase of share certificates, etc. related to the tender offer prescribed in Article 27-2, paragraph (1) of the Act for the person that conducts the tender offer (excluding the cases specified in item (i)); and
- (iv) if the financial instruments business operator, etc. conducts intermediary or agency services for the purchase of the listed share certificates, etc. prescribed in Article 24-6, paragraph (1) of the Act related to the tender offer prescribed in Article 27-22-2, paragraph (1) of the Act (limited to cases in which the provisions of the main text of that paragraph is applicable) (excluding the cases specified in item (i)).

(Sales Not Requiring Notification Related to Securities for Professional Investors)

Article 125-4 (1) The sales specified by Cabinet Office Order as prescribed in Article 16-7-2, item (i), sub-item (f) of the Order are as follows:

- (i) the sale of securities under a cumulative investment contract (meaning a contract in which a financial instruments business operator, etc. receives money in trust from a counterparty and continuously sells securities to that counterparty on dates decided in advance by using the money as consideration; hereinafter the same applies in item (i) of the following paragraph) (excluding the cases in which the counterparty has neither acquired nor held securities whose issue was the same as those securities in the past);
  - (ii) the sale of securities whose issue is the same as the securities set forth in Article 2, paragraph (1), item (x) of the Act owned by the counterparty, by using the earnings generated from those securities; and
  - (iii) the sale of the securities set forth in Article 2, paragraph (1), item (x) of the Act (limited to the beneficiary certificates of the bond investment trust prescribed in Article 25, item (ii) of the Regulations for Enforcement of the Act on Investment Trusts and Investment Corporations, for which the accounting period is one day; referred to as the "specified beneficiary certificates of bond investment trust" in item (iii) of the following paragraph) (excluding the cases in which the counterparty has neither acquired nor held securities whose issue was the same as those securities in the past).
- (2) The services specified by Cabinet Office Order as prescribed in Article 16-7-2, item (ii), sub-item (d) of the Order are as follows:
- (i) intermediation, brokerage, or agency for the purchase of securities periodically conducted based on a cumulative investment contract (excluding the case in which the counterparty has neither acquired nor held the

- securities whose issues were the same as those securities in the past);
- (ii) intermediation, brokerage, or agency for the purchase of securities that are the same issue as the securities set forth in Article 2, paragraph (1), item (x) of the Act owned by the counterparty conducted by using the earnings generated from those securities; and
- (iii) intermediation, brokerage, or agency for the purchase of the specified beneficiary certificates of bond investment trust (excluding the case in which the counterparty has neither acquired nor held the securities whose issue was the same as the specified beneficiary certificates of bond investment trust in the past).

(Method of Notification Concerning Securities for Professional Investors)

- Article 125-5 (1) A financial instruments business operator, etc. which seeks to give a notification pursuant to the provisions of Article 40-5, paragraph (1) of the Act must give the notification, before they conduct the act prescribed in Article 16-7-2 of the Order (hereinafter referred to as an "act subject to notification" in this Article) (for an act subject to notification set forth in item (i) of that Article, before they conclude a contract which provides the performance of the act subject to notification) without making a solicitation of offers to acquire provided for in Article 2, paragraph (3) of the Act or offer to sell, etc. provided for in paragraph (4) of that Article.
- (2) The matters specified by Cabinet Office Order as prescribed in Article 40-5, paragraph (1) of the Act are as follows:
- (i) the securities for professional investors are securities for professional investors;
  - (ii) the securities for professional investors do not fall under cases in which disclosure has been made (meaning the cases in which disclosure prescribed in Article 4, paragraph (7) of the Act has been made);
  - (iii) the provisions of Article 4, paragraph (3), paragraph (5), and paragraph (6) of the Act are applicable to the solicitation for delivery of existing securities, etc. related to the securities for professional investors (meaning the solicitation for delivery of existing securities, etc. prescribed in Article 4, paragraph (2) of the Act; the same applies hereinafter);
  - (iv) if the specified information on securities, etc. (meaning the specified information on securities, etc. prescribed in Article 27-33 of the Act; the same applies hereinafter) related to the solicitation for acquisition only for professional investors or the solicitation for sale, etc. only for professional investors conducted in the past in relation to the securities has been disclosed pursuant to the provisions of Article 27-31, paragraph (2) or (4), or the information on the issuer, etc. (meaning the information on the issuer, etc. prescribed in Article 27-34 of the Act; the same applies hereinafter) has

been disclosed pursuant to the provisions of Article 27-32, paragraphs (1) through (3) of the Act, that fact and the means of disclosure (if the disclosure has been made using the internet, including information on the website address related to the disclosure (website address means the characters, numbers, marks, or other symbols, or their combination for identifying the part of the automatic public transmission server (meaning the automatic public transmission server as defined in Article 2, paragraph (1), item (ix)-5, (a) of the Copyright Act (Act No. 48 of 1970)) to be used, on the internet, which enables the recipient of the information to browse the content of the information by inputting them in the computer they use; the same applies hereinafter);

(v) the information on the issuer, etc. is to be provided or disclosed, to the owner of the securities for professional investors pursuant to the provisions of Article 27-32 of the Act.

(3) Notwithstanding the provisions of Article 40-5, paragraph (1) of the Act, if two or more financial instruments business operators, etc. are required to make a notification of the same act subject to notification pursuant to that paragraph, if one of the financial instruments business operators, etc. has made a notification of the matters set forth in the items of the preceding paragraph, the other financial instruments business operator, etc. is not required to notify the matters set forth in the items of that paragraph.

(Contracts for Transactions of Securities for Professional Investors)

Article 125-6 (1) The matters specified by Cabinet Office Order as prescribed in Article 40-5, paragraph (2) of the Act are as follows:

- (i) a contract which provides that purchase and sale of securities for professional investors through an act set forth in Article 2, paragraph (8), item (x) of the Act (limited to purchase and sale made through the intermediation, brokerage, or agency services conducted by the financial instruments business operator that conducts the act) are to be conducted;
- (ii) a contract which provides that purchase and sale of securities for professional investors with an authorized firm for on-exchange transactions (limited to the purchase and sale made in a financial instruments exchange market) are to be conducted; and
- (iii) a contract which provides that purchase and sale of securities for professional investors with an financial instruments clearing organization (if the financial instruments clearing organization performs collaborating financial instruments obligation assumption services, including a collaborating clearing organization, etc.; hereinafter the same applies in this item) or a foreign financial instruments clearing organization (limited to the purchase and sale related to financial instruments obligation assumption

services conducted by the financial instruments clearing organization or foreign financial instruments clearing organization (if the financial instruments clearing organization is to conduct collaborating financial instruments obligation assumption services, including collaborating financial instruments obligation assumption services)) are to be conducted.

- (2) The matters specified by Cabinet Office Order as prescribed in Article 40-5, paragraph (2), item (i) of the Act are as follows:
- (i) unless otherwise provided for in the Act, the issuer of the securities for professional investors is not obligated to submit the documents set forth in Article 25, paragraph (1), items (iv) through (x) of the Act;
  - (ii) the provisions of Article 4, paragraph (3), paragraph (5), and paragraph (6) of the Act apply to the solicitation for delivery of existing securities, etc. related to securities for professional investors;
  - (iii) the information on the issuer, etc. is to be provided or disclosed to the owner of the securities for professional investors pursuant to the provisions of Article 27-32, paragraphs (1) through (3) of the Act; and
  - (iv) unless otherwise provided for by the Act, a financial instruments business operator, etc. may not conduct intermediation, brokerage, or agency services for purchase and sale or other acts set forth in Article 2, paragraph (8), items (i) through (iv) and item (x) of the Act concerning the securities for professional investors, with a general investor as a counterparty, or on behalf of a general investor.

(Specified Over-the-Counter Derivatives Transactions)

- Article 125-7 (1) The transactions specified by Cabinet Office Order as prescribed in Article 40-7, paragraph (1) of the Act are the transactions set forth in Article 2, paragraph (22), item (v) of the Act in which the parties mutually promise that one of the parties will pay money (limited to yen-denominated amount; hereinafter the same applies in this paragraph) based on an interest rate determined by one of the parties and the counterparty in relation to the amount fixed as principal (limited to the yen-denominated principal) or a rate of change of the market interest rate for the agreed period (hereinafter referred to as "interest rate, etc." in this paragraph), and the other party will pay money based on the interest rate, etc. agreed on by one of the parties and the counterparty, which the Commissioner of the Financial Services Agency designates.
- (2) Notwithstanding the provisions of the preceding paragraph, if the transaction prescribed in that paragraph is a transaction which falls under any of the following items at the time of concluding a contract related to the transaction, the transaction is considered not to fall under a transaction specified by Cabinet Office Order as prescribed in Article 40-7, paragraph (1) of the Act.

- (i) a transaction for which the accounting is to be done as a transaction belonging to a trust account;
- (ii) the transaction in the case the counterparty is a parent company, etc., a subsidiary company, etc., or a subsidiary company, etc. of the parent company, etc. (excluding the financial instruments business operator, etc.) of the financial instruments business operator, etc. that conducts the transaction;
- (iii) the transaction in which one or both of the parties is a person specified in any of the following sub-items:
  - (a) a person that is not a financial instruments business operator, etc. (limited to a bank which is a financial instruments business operator or registered financial institution that conducts type I financial instruments business, The Shoko Chukin Bank, Ltd., the Development Bank of Japan, a federation of Shinkin banks whose district is the entire nation, or The Norinchukin Bank);
  - (b) a financial instruments business operator, etc. whose average total amount of notional principal for the over-the-counter derivatives transactions (limited to the transactions subject to trade data, and excluding those for which accounting is done as a transaction belonging to a trust account) at the end of each month during the period from April of the year two years before the year in which the time of conclusion of the contract related to the transaction belongs to March of the preceding year (if the time is in December, the period from April of the preceding year to March of the relevant year) is less than 6 trillion yen (excluding a person set forth in sub-item (a)); and
- (iv) transactions conducted by the financial instruments business operator, etc. if a failure occurs which requires the suspension of use of an electronic data processing system to be used for business of over-the-counter derivatives transactions, etc. or other case in which there are special circumstances to find that it is inappropriate to have a financial instruments business operator, etc. use the electronic data processing system to be used for business of over-the-counter derivatives transactions, etc. designated by the Commissioner of the Financial Services Agency.

(Means of Public Announcement)

Article 125-8 (1) A person that seeks to make a public announcement pursuant to the provisions of Article 40-7, paragraph (2) of the Act (including as applied mutandis pursuant to Article 60-14, paragraph (2) of the Act; the same applies in the following paragraph) must publicize the matters specified in the upper column of the Appended Table immediately after the specified over-the-counter derivatives transactions using the electronic data processing system has been

conducted.

(2) Notwithstanding the provisions of the preceding paragraph, if the amount the parties to a specified over-the-counter derivatives transaction determines as notional principal exceeds the amount specified in the following items in accordance with the category of the period between the day when the over-the-counter derivatives transaction takes effect and the day when the effect expires specified in each of those items, a person that seeks to make a public announcement pursuant to the provisions of Article 40-7, paragraph (2) of the Act must publicize the matters set forth in the left hand column of Appended Table no later than the business day following the day when the over-the-counter derivatives transaction was conducted by using the electronic data processing system:

- (i) a period not exceeding three months: 300 billion yen;
- (ii) a period exceeding three months and not exceeding six months: 60 billion yen;
- (iii) a period exceeding six months and not exceeding one year: 55 billion yen;
- (iv) a period exceeding one year and not exceeding two years: 50 billion yen;
- (v) a period exceeding two years and not exceeding five years: 20 billion yen;
- (vi) a period exceeding five years and not exceeding ten years: 10 billion yen;
- (vii) a period exceeding ten years and not exceeding thirty years: 5 billion yen;
- (viii) a period exceeding thirty years: 2 billion yen.

## **Subsection 2 Special Provisions on Investment Advisory Business and Investment Management Business**

(Prohibited Acts Concerning Investment Advisory Business)

Article 126 The acts specified by Cabinet Office Order as prescribed in Article 41-2, item (vi) of the Act are as follows:

- (i) to give an advice on conducting a transaction that will be detrimental to the customer's interests, for their personal gain or the profit of a third party;
- (ii) to give an advice on conducting a transaction that results in unjust increase of transaction volumes or manipulative pricing to be made, for the purchase and sale or other transactions of securities.; and
- (iii) if a related foreign corporation, etc. of the financial instruments business operator (meaning a person set forth in Article 32, item (iii), who falls under any of the items of Article 15-16, paragraph (1) of the Order or the items of paragraph (2) of that Article; hereinafter the same applies in this item, Article 130, paragraph (1), item (ix), (a), and item (xv), sub-item (c), 2.) conducts public offering or private placement of securities, and the amount to be paid to the related foreign corporation, etc. for the application of the acquisition or purchase of the securities is expected to be less than the

amount prearranged by the related foreign corporation, etc., to give an advice for acquiring or purchasing those securities, upon the request of the related foreign corporation, etc.

(Exemption from Application of Prohibition of Accepting Deposit of Money or Securities)

Article 126-2 The cases specified by Cabinet Office Order as prescribed in Article 16-9, item (iii) of the Cabinet Order are cases in which a person who is specially provided for in laws for managing cryptoassets for another person on a regular basis manages the cryptoassets.

(Persons Excluded from Persons Closely-Related to a Financial Instruments Business Operator)

Article 127 The persons specified by Cabinet Office Order as prescribed in the non-itemized part of Article 16-10 of the Order are as follows:

- (i) a financial instruments business operator (limited to an operator that conducts securities, etc. management business);
- (ii) a bank;
- (iii) a cooperative financial institution;
- (iv) an insurance company;
- (v) a trust company; and
- (vi) The Shoko Chukin Bank, Ltd.

(Exclusion from Application of Prohibition of Self-Dealing)

Article 128 The acts set forth in Article 42-2, item (i) of the Act which are specified by Cabinet Office Order as prescribed in that Article are as follows:

- (i) to make an investment whose purpose is to provide brokerage service for purchase and sale of securities or derivative transactions related to invested property, as type I financial instruments business, type II financial instruments business, or registered financial institution business; and
- (ii) to make an investment whose purpose is to conduct a transaction that satisfies all of the following requirements:
  - (a) the explanation on the content of the transaction and the reason for seeking to conduct the transaction (the explanation is referred to as "explanation on the transaction" in 2.) has been given to all right holders for each individual transactions (if the right holder is a registered investment corporation as defined in Article 2, paragraph (13) of the Act on Investment Trusts and Investment Corporations, meaning an investor prescribed in paragraph (16) of that Article; the same applies in sub-item (a), paragraph (1), item (ii), sub-item (a) and item (v), subitems (b) and (c) of the following Article, and Article 130, paragraph (1), item (vi)), and the

consent of all right holders has been obtained (for a transaction to be conducted when a contract or other juridical acts related to the rights set forth in Article 2, paragraph (8), item (xv), sub-items (a) through (c) of the Act prescribes all of the following matters, including the consent referred to in 1.):

1. the fact that the act set forth in Article 42-2, item (i) of the Act may be conducted if the consent of at least a half of all right holders (if a larger proportion has been specified, at least that proportion), and, the consent of the majority of at least three-fourths of the rights set forth in Article 2, paragraph (8), item (xv), sub-items (a) through (c) of the Act held by all right holders (if a larger proportion has been specified, that proportion) have been obtained;
  2. the fact that, if a right holder that does not consent to conduct the act set forth in Article 42-2, item (i) of the Act makes a request within 20 days (if a longer period has been prescribed, that period) after they have been given an explanation on the transaction, the rights set forth in Article 2, paragraph (8), item (xv), sub-items (a) through (c) of the Act held by the right holder is to be purchased at a fair value using the investment property, until the day on which 60 days (if a shorter period has been prescribed, that period) have passed from the day when that act was conducted (including the fact that the contract related to the right will be cancelled);
- (b) the transaction falls under any of the following transactions:
1. a purchase and sale of securities on the financial instruments exchange market or the over-the-counter securities market;
  2. market derivatives transactions or foreign market derivatives transactions; or
  3. a transaction conducted at a value calculated based on the closing price publicized on the preceding day, or at a price equivalent to that value calculated by a reasonable method;
- (iii) to make any other investment whose purpose is to conduct a transaction approved by the Commissioner of the Financial Services Agency or the competent Director-General of a Local Finance Bureau as a transaction that is found not to result in insufficient protection of investors or harm the fairness of transactions, or cause financial instruments business to lose credibility.

(Exclusion from Application of Prohibition of Transactions Between Investment Properties)

Article 129 (1) The acts specified by Cabinet Office Order as prescribed in Article 42-2 of the Act are as follows:



- (i) to make an investment whose purpose is to conduct a transaction that meets all of the following requirements:
  - (a) the transaction falls under any of the following cases:
    - 1. the transaction is to be conducted for the purpose of terminating the investment of one investment property;
    - 2. the transaction is to be conducted for the purpose of paying the cancellation money related to the securities set forth in Article 2, paragraph (1), item (x) of the Act, or paying refund related to the securities set forth in item (xi) of that paragraph or related to the rights set forth in Article 2, paragraph (8), item (xv), sub-items (a) through (c) of the Act;
    - 3. the transaction is to be conducted when the amount of the assets targeted for investment held or their holding ratio is likely to exceed the limit specified by laws and regulations or the contract or other juridical acts specified in the items of Article 42-3, paragraph (1) of the Act, for the purpose of preventing the amount or ratio from exceeding the limit; or
    - 4. it is found to be necessary and reasonable to conduct the transaction for both of the investment properties, in light of the investment policy, the amount of the investment property, and the market conditions;
  - (b) a purchase and sale or other transactions of subject securities, etc., to be conducted at a fair value pursuant to the provisions of paragraph (3);
- (ii) to make an investment whose purpose is to conduct a transaction that meets all of the following requirements:
  - (a) an explanation on the content of the transaction and the reason for seeking to conduct the transaction (hereinafter the explanation is referred to as "explanation on the transaction" from this item through item (v)) has been given to all rightholders of both investment properties for each individual transaction, and the consent of all rightholders has been obtained (for a transaction to be conducted as an act set forth in Article 2, paragraph (8), item (xv) of the Act, if the contract or other juridical acts concerning both investment properties related to the rights provides all of the following matters, including the consent related to both investment properties referred to in 1.):
    - 1. the fact that the act set forth in Article 42-2, item (ii) of the Act may be conducted when the consent of at least half of all right holders (if a larger proportion has been specified, at least that proportion), and, of at least three-fourths of the rights set forth in Article 2, paragraph (8), item (xv), sub-items (a) through (c) of the Act held by all right holders (if a larger proportion has been specified, at least that proportion) have been obtained;

2. the fact that, if a right holder that does not consent to conducting the act set forth in Article 42-2, item (ii) of the Act makes a request within 20 days (if a longer period has been prescribed, within that period) after they have been given an explanation on the transaction, the rights set forth in Article 2, paragraph (8), item (xv), sub-items (a) through (c) of the Act held by the right holder will be purchased at a fair value using the investment property, until the day on which 60 days (if a shorter period has been prescribed, that period) have passed from the day when that act was conducted (including the fact that the contract related to the right will be cancelled);
- (b) the transaction falls under any of item (ii), sub-item (b), 1. through 3. of the preceding Article;
- (iii) to make an investment whose purpose is to conduct a transaction that satisfies all of the following requirements (limited to a transaction that conducts specially-permitted business for qualified institutional investors, etc. (meaning an act set forth in Article 63, paragraph (1), item (ii) of the Act for which the equity in business subject to investment for that act satisfies the requirements set forth in Article 17-12, paragraph (2) of the Order; the same applies in Article 134, paragraph (1), item (iii), sub-item (c)); the same applies hereinafter):
  - (a) an explanation on the transaction has been given to all right holders of both investment properties for each individual transaction, and consent by not less than two-thirds (if a larger proportion has been specified, that proportion) of the equities in business subject to investment held by all right holders has been obtained;
  - (b) a purchase and sale or other transactions of subject securities, etc. to be conducted at a fair value which is conducted pursuant to the provisions of paragraph (3), or a purchase and sale of a beneficial interest in real property trust to be conducted at a value calculated by a reasonable method;
- (iv) to make an investment whose purpose is to conduct transactions that satisfy all of the following requirements:
  - (a) an explanation on the transaction (including the calculation method of the value related to the transaction) has been given to all right holders of both investment properties for each individual transaction, and consent by not less than two-thirds (if a larger proportion has been specified, that proportion) of the equities in business subject to investment held by all right holders has been obtained; and
  - (b) the transaction is not a purchase and sale or other transactions of subject securities, etc. or a transaction for the purchase and sale of beneficial interest in real property trust.

- (v) to make an investment whose purpose is to conduct transactions that meet all of the following requirements:
    - (a) the investment falls under the acts set forth in Article 2, paragraph (8), item (xii) or (xv) (limited to the part related to sub-item (c)) of the Act;
    - (b) all right holders of both investment properties (if the investment falls under the acts set forth in Article 2, paragraph (8), item (xii) (limited to the part related to sub-item (b)) of the Act, excluding the counterparty to the contract set forth in sub-item (b) of that item) are qualified institutional investors;
    - (c) an explanation on the transaction has been given to all right holders of both investment properties, and consent by not less than two-thirds (if a larger proportion has been specified, that proportion) of the rights held by all right holders has been obtained; and
    - (d) it is a purchase and sale of beneficial interest in real property trust, which is a transaction conducted at a value calculated by a reasonable method;
  - (vi) to make an investment whose purpose is to conduct other transactions approved by the Commissioner of the Financial Services Agency or the competent Director-General of a Local Finance Bureau as a transaction found unlikely to result in insufficient protection for investors or harming the fairness of transactions, or cause financial instruments business to lose credibility.
- (2) The term "purchase and sale or other transaction of subject securities, etc." as used in item (i), sub-item (b), item (iii), sub-item (b), and item (iv), sub-item (b) of the preceding paragraph means the following transactions:
- (i) purchase and sale of the following securities (including securities set forth in Article 2, paragraph (1), item (xx) of the Act that indicate the rights related to those securities and the rights deemed to be securities pursuant to the provisions of paragraph (2) of that Article, which are indicated on those securities):
    - (a) securities listed on financial instruments exchange;
    - (b) over-the-counter traded securities;
    - (c) securities listed on a designated foreign financial instruments exchange (meaning a designated foreign financial instruments exchange prescribed in Article 2-12-3, item (iv), sub-item (b) of the Order; the same applies in item (iii) of the following paragraph and Article 130, paragraph (3), item (ii));
    - (d) securities other than those set forth in sub-items (a) through (c), which are set forth in the following clauses:
      1. securities set forth in Article 2, paragraph (1), items (i) through (v) of the Act (including securities set forth in item (xvii) of that paragraph,

- which have the nature of those securities);
  - 2. securities set forth in Article 2, paragraph (1), item (ix) of the Act (including securities set forth in item (xvii) of that paragraph, which have the nature of those securities) whose price is publicized based on the rules prescribed by an authorized financial instruments firms association or by an organization with characteristics similar to them which are established in a foreign country; and
  - 3. securities set forth in Article 2, paragraph (1), items (x) and (xi) of the Act;
  - (ii) market derivatives transactions; and
  - (iii) foreign market derivatives transactions.
- (3) The purchase and sale or other transactions of subject securities, etc. referred to in paragraph (1), item (i), sub-item (b) and item (iii), sub-item (b) are to be conducted by the means specified in the following items in accordance with the category of transactions set forth in each of those items:
- (i) the purchase and sale of securities set forth in item (i), sub-item (a) of the preceding paragraph: a transaction conducted on a financial instruments exchange market, or a transaction conducted at a value calculated based on the closing price publicized on the preceding day or a price equivalent to that calculated by a reasonable method;
  - (ii) the purchase and sale of securities set forth in item (i), sub-item (b) of the preceding paragraph: a transaction conducted on an over-the-counter traded securities market, or a transaction conducted at a value calculated based on the closing price publicized on the preceding day or a price equivalent to that calculated by a reasonable method;
  - (iii) the purchase and sale of securities set forth in item (i), sub-item (c) of the preceding paragraph: a transaction conducted on a designated foreign financial instruments exchange, or a transaction conducted at a value calculated based on the closing price publicized on the preceding day or a price equivalent to that calculated by a reasonable method;
  - (iv) the purchase and sale of securities set forth in item (i), sub-item (d) of the preceding paragraph: a transaction conducted at a value calculated based on the closing price publicized on the preceding day, or a value equivalent to that calculated by a reasonable method;
  - (v) a transaction set forth in item (ii) of the preceding paragraph: a transaction to be conducted on a financial instruments market; and
  - (vi) a transaction set forth in item (iii) of the preceding paragraph: a transaction to be conducted on a foreign financial instruments market.

(Exemption from Application of Prohibition of Compensation for Loss Concerning Investment Management Business)

Article 129-2 The investment trust specified by Cabinet Office Order as prescribed in Article 42-2, item (vi) of the Act is a public and corporate bond investment trust provided for in Article 25, item (ii) of the Regulations for Enforcement of the Act on Investment Trusts and Investment Corporations (limited to those for which the accounting period is one day), for which beneficial interest is acquired or held for the purpose of using it for paying or receiving money in relation to purchase and sale of securities or other transactions between a right holder and a financial instruments business operator, etc.

(Prohibited Acts Concerning Investment Management Business)

Article 130 (1) The acts specified by Cabinet Office Order as prescribed in Article 42-2, item (vii) of the Act are as follows:

- (i) making an investment whose purpose is to conduct a transaction with one's auditor, a person holding a position similar to an officer, or an employee (excluding acts set forth in the items of Article 128);
- (ii) making an investment whose purpose is to conduct a transaction which will harm the right holder's interests, for their personal gain or the profit of a third party;
- (iii) making an investment whose purpose is to conduct a transaction concerning the investment management business one performs, which is unnecessary in light of the management policy, the amount of investment property, or the market conditions (excluding the acts set forth in Article 44-3, paragraph (1), item (iii) and paragraph (2), item (iii) of the Act), for the profit of a third party;
- (iv) making an investment of investment property when there are unreasonable limitations on transactions or other restrictions imposed by other people;
- (v) making an investment whose purpose is to conduct a transaction for unjustly increasing transaction volumes or manipulative pricing, concerning purchase and sale or other transactions of securities.;
- (vi) making an investment whose purpose is to conduct a transaction with a third party in which the financial instruments business operator, etc. is to act as an agent of that third party (excluding an investment made on behalf of the third party as type I financial instruments business, type II financial instruments business, or registered financial instrument business, and an investment made in which a financial instruments business operator, etc. has given an explanation on the content of the transaction and the reason for seeking to conduct the transaction to all right holders for each individual transactions in advance, and has obtained the consent of those right holders);
- (vii) specifying the investment property after making an application for transaction concerning an investment of investment property;

- (viii) if the amount calculated by a reasonable method predetermined by a financial instruments business operator, etc. as the amount corresponding to the risk that may accrue from reasons such as fluctuations in the interest rate, currency value, quotations on a financial instruments market, or any other indicators in relation to investment property (limited to investment property related to business of conducting an act set forth in Article 2, paragraph (8), item (xiv) of the Act; hereinafter the same applies in this item through item (viii)-3, and the following paragraph) exceeds the amount of net assets of the investment property, making an investment whose purpose is to conduct or to continue derivative transactions (including transactions concerning share option certificates, investment equity subscription rights certificates, or instruments or certificates indicating options, and trading of bonds with options);
- (viii)-2 making an investment whose purpose is to conduct transactions that run contrary to the reasonable method predetermined by a financial instruments business operator, etc. as a method for appropriately managing credit risk (meaning risk that may arise due to default of the counterparty to the transaction or other reasons concerning the securities held or other assets) in relation to investment property;
- (viii)-3 making an investment without taking reasonable measures to prevent the situation in which it is no longer possible to respond to a right holder's offer to terminate the management related to liquidity of securities held or other assets in relation to investment property;
- (ix) if any of the following persons is conducting underwriting, etc. of securities (meaning the acts set forth in Article 2, paragraph (8), items (vi) through (ix) of the Act; the same applies in Article 147, item (iv), Article 153, paragraph (1), item (xiii), and Article 154, item (vii)), and the amount to be paid to the person for the application of acquisition or purchase of the securities (if the person is conducting the acts set forth in Article 2, paragraph (6), item (iii) of the Act, the exercise of the share options by the person that acquired the share options prescribed in that item) is expected to be less than the amount prearranged by that person, to make an investment whose purpose is the acquisition or purchase of those securities (if the person is conducting the acts set forth in that item, securities to be acquired by exercising the share options), upon the request of that person:
- (a) a related foreign corporation, etc. of the financial instruments business operator, etc.; or
  - (b) a person whose total amount of securities related to the investment property for which the acts set forth in Article 2, paragraph (8), items (i) through (iii), item (viii), and item (ix) of the Act has been conducted (limited to the securities indicating the rights of the holder related to the

investment property, or the rights; hereinafter the same applies in this item) in the immediately preceding two business years exceeds 50 percent of the amount of securities related to the investment property issued in the immediately preceding two business years;

- (x) in entrusting all or part of the authority for making investments for right holders pursuant to the provisions of Article 42-3, paragraph (1) of the Act, the act of entrusting the authority without the entrusted person taking measures to ensure that they will not re-entrust the authority concerning the entrustment (excluding the case in which they re-entrust a part of authority to a person specified by Cabinet Order as prescribed in that paragraph (limited to the case in which measures to prevent the re-entrusted person from further entrusting the authority re-entrusted have been taken));
- (xi) in receiving from a customer a deposit of money or securities belonging to the customer's account into an account held under a financial instruments business operator's own name for the purpose of settling a transaction pursuant to the provisions of the proviso to Article 42-5 of the Act, the financial instrument business operator to utilize the account for a purpose other than settling the transaction, or to retain the money or securities in the account for a period exceeding the period necessary for settling the transaction;
- (xii) if a financial instruments business operator, etc. has learned that a surviving employee's pension fund is likely to violate the provisions of Article 39-15, paragraph (1) of the Cabinet Order for Employees' Pension Fund (Cabinet Order No. 324 of 1966; referred to as "Cabinet Order for Employees' Pension Fund before the repeal") before the repeal under the provisions of Article 1 of the Cabinet Order on Revision, etc. Accompanying the Partial Enforcement of the Act for Partial Revision to the Employees' Pension Insurance Act, etc. to Ensure the Soundness and Reliability of the Public Pension System (Cabinet Order No. 73 of 2014) that is to remain effective pursuant to the provisions of Article 3, paragraph (2) of the Cabinet Order on Transitional Measures Accompanying the Enforcement of the Act for Partial Revision to the Employees' Pension Insurance Act to Ensure the Soundness and Reliability of the Public Pension System (Cabinet Order No. 74 of 2014; referred to as "2014 Cabinet Order on Transitional Measures" in the following item), an act of failing to notify the surviving employee's pension fund of that fact;
- (xiii) when a financial instruments business operator, etc. violates the provisions of Article 30, paragraph (3) of the Cabinet Order for Employees' Pension Fund before the repeal which is to remain effective pursuant to the provisions of Article 3, paragraph (2) of the 2014 Cabinet Order on Transitional Measures and receives guidance from a surviving employee's

- pension fund to have customers acquire specific financial instruments as investment of investment property or other guidance on specific transactions, to obey the guidance;
- (xiv) with regard to fund management, to provide a surviving employee's pension fund with conclusive judgment on uncertain matters or providing information that is likely to mislead the customer into believing that an uncertain matter is certain; and
- (xv) if a right holder (excluding a professional investor; hereinafter the same applies in sub-item (a), 1. and paragraph (3), item (i)) entrusts management of investment property (limited to those related to business in which the act set forth in Article 2, paragraph (8), item (xii) of the Act is conducted based on a discretionary investment contract; hereinafter the same applies in this item and paragraph (3)) to a trust company, etc. (meaning a trust company or a financial institution engaged in trust business; hereinafter the same applies in this item and paragraph (3), item (i)), a financial instrument transaction operator that makes the investment concerning the investment property makes an offer for acquisition or purchase of the subject securities without fulfilling the following requirements for the subject securities:
- (a) to take any of the following measures as necessary measures for the trust company, etc. to learn the true value of the subject securities:
1. measures for ensuring that the trust company, etc. directly receives information on the price of the subject securities from the person that calculates the value once every six months (if a right holder is a surviving employee's pension fund, three months); and
  2. measures for ensuring that the trust company, etc. can directly check the value of the subject securities with the person that calculates the value;
- (b) to conduct a fund audit related to the assets invested or paid by the person that holds a right pertaining to the subject securities; and
- (c) to take any of the following measures as necessary measures for the trust company, etc. to receive provision of the true audit report, etc. for the fund audit referred to in sub-item (b):
1. measures for ensuring that the trust company, etc. directly receives provision of an audit report, etc. of the fund audit from the person that has conducted the fund audit;
  2. measures for ensuring that the trust company, etc. receives provision of an audit report, etc. of the fund audit from the person that has conducted the fund audit through a person other than the financial instruments business operator or the parent corporation, etc., subsidiary corporation, etc., or related foreign corporation, etc. of the financial instruments business operator; and



3. other measures for ensuring that the trust company, etc. receives provision of the true audit report of the fund audit.
- (2) The provisions of the preceding paragraph (limited to the parts related to items (viii) through (viii)-3) do not apply, if the solicitation of an application for acquiring beneficiary certificates related to investment property (meaning the securities that indicate the rights of the holder related to the investment property, or those rights; hereinafter the same applies in this paragraph) is conducted through private placement of securities (excluding the case in which the solicitation of an application for acquiring beneficiary certificates related to another investment property whose purpose is to acquire the beneficiary certificates is conducted through a public offering of securities).
  - (3) The term "subject securities" as used in paragraph (1), item (xv) means the subject securities prescribed in Article 96, paragraph (4) (excluding the following things):
    - (i) beneficiary certificates of investment trusts in which a trustee of the investment trust is a trust company, etc. that accepts management of the right holder's investment property, and, the type of assets subject to the investment is limited to the following things in the basic terms and conditions of the investment trust (meaning the basic terms and conditions of the investment trust prescribed in Article 4, paragraph (1) of the Order for the Enforcement of the Act on Investment Trusts and Investment Corporations; the same applies in sub-item (g)):
      - (a) securities listed on a financial instruments exchange;
      - (b) national government bonds;
      - (c) rights related to market derivatives transactions;
      - (d) forward exchange transactions (meaning forward exchange transactions prescribed in Article 57, paragraph (2) of the Regulations on Accounting of Investment Trust Property (Prime Minister's Office Order No. 133 of 2000));
      - (e) deposits;
      - (f) a call loan; and
      - (g) beneficiary certificates (limited to those for which a trustee of the investment trust is a trust company, etc. that accepts the entrustment of management of the right holder's investment property and the type of assets subject to the investment is limited to those set forth in sub-items (a) through (f) in the basic terms and conditions of the investment trust of the mother fund) of mother funds (meaning mother funds prescribed in Article 13, item (iii), sub-item (b) of the Regulations for the Enforcement of the Act on Investment Trusts and Investment Corporations);
    - (ii) beneficiary securities listed on the designated foreign financial instrument exchange.

- (4) The term "fund audit" as used in paragraph (1), item (xv), sub-item (b) means an external audit that satisfies the requirements specified by the rules of a financial instruments firms association to which the financial instruments business operator belongs (limited to the rules designated by the Commissioner of the Financial Services Agency (hereinafter referred to as "association rules" in this paragraph and the following paragraph); for a financial instruments business operator that is not a member of the financial instruments firms association that specifies association rules, the rules designated by the Commissioner of the Financial Services Agency).
- (5) The following matters must be specified in the association rules:
- (i) matters related to balance sheets, profit and loss statements, and other documents related to financial and accounting documents, which are subject to an external audit;
  - (ii) matters related to the main party that conducts an external audit;
  - (iii) matters related to the criteria and procedures of an external audit; and
  - (iv) in changing the association rules, the fact that the content of the change is notified to the Commissioner of the Financial Services Agency in advance.
- (6) The term "audit report, etc." as used in paragraph (1), item (xv), sub-item (c) means the documents in which the person that has conducted a fund audit prescribed in paragraph (4) enters the results of the fund audit (including and balance sheet, profit and loss statement, and other documents related to finance and accounting that are subject to the fund audit (including electronic or magnetic records)).

(Matters Concerning Entrustment of Authority for Investment)

Article 131 The matters specified by Cabinet Office Order as prescribed in Article 42-3, paragraph (1) of the Act are as follows:

- (i) the fact that all or part of the authority to make investments for a right holder is to be entrusted (including the case in which a part of the authority is to be re-entrusted; hereinafter the same applies in this Article), and the trade name or name of the entrusted party (if the entrusted party is a financial instruments business operator that has been granted registration referred to in Article 29 of the Act for conducting an investment management business for qualified investors, including that fact);
- (ii) an outline of the entrusted business; and
- (iii) if the remuneration for the entrustment is to be paid from the investment property, the amount of the remuneration (when the amount of the remuneration has not been fixed in advance, the calculation method of the amount).

(Separate Management)

Article 132 (1) If a financial instruments business operator, etc. manages investment property pursuant to the provisions of Article 42-4 of the Act, and the investment property consists of money (including cryptoassets; the same applies in the following paragraph), the business operator must manage the money by the methods set forth in Article 125, item (ii), sub-items (a) through (d).

(2) If a financial instruments business operator, etc. manages an investment property pursuant to the provisions of Article 42-4 of the Act, and the investment property consists of securities, etc. (meaning securities or property other than money; hereinafter the same applies in this Article), the business operator must manage the securities, etc. by the methods specified in the following items in accordance with the category of the securities, etc. set forth in each of those items:

(i) securities, etc. managed by the financial instruments business operator, etc. by taking custody themselves (excluding the securities, etc. to be retained by way of commingled custody; the same applies in the following item): a method in which the place of custody of the securities, etc. that are investment properties (hereinafter referred to as "invested securities, etc." in this Article) is clearly distinguished from the place of custody of the securities, etc. that are their own property or securities, etc. other than the invested securities, etc. (hereinafter referred to as the "their own securities, etc." in this paragraph), and, managing the invested securities, etc. in a method of custody that is possible to immediately identify which investment property's securities they are;

(ii) securities, etc. which a financial instruments business operator, etc. manages by having a third party take their custody: a method in which the financial instruments business operator, etc. manages the securities by having the third party make a clear distinction between the place of the custody of the invested securities, etc. and the place of the custody of their own securities, etc., and, in a method of custody that is possible to immediately identify which investment property to which the invested securities, etc. belong;

(iii) securities, etc. which a financial instruments business operator, etc. manages by taking custody themselves (limited to securities to be taken custody in a commingled manner; the same applies in the following item): a method in which the securities are managed by clearly distinguishing the place of custody of the invested securities, etc. from the place of custody of their own securities, etc., and, in a manner that the share of each investment property related to the invested securities, etc. is immediately identifiable through their own books;

(iv) securities, etc. which a financial instruments business operator, etc.

manages the securities by having a third party take their custody: a method in which the financial instruments business operator, etc. has the third party take custody in a manner that is possible to separate their own account from the account for their own investment property or by other methods, and, that is possible to immediately identify the share of each investment property related to the invested securities, etc. through their own books (if the financial instruments business operator, etc. has a foreign third party take custody of the securities, and if it is not possible to have the third party take custody by separating the share related to the invested securities, etc. and the share related to the own securities, etc. under the foreign laws and regulations, or it is found that there are particularly compelling reasons for the third party to take custody in a manner that is possible to immediately identify the shares related to the invested securities, etc., a method in which the financial instruments business operator, etc. has the third party take custody in a manner that is possible to immediately identify the share of each investment property related to the invested securities, etc. through their own books);

(v) electronically recorded transferable rights to be indicated on securities, etc. managed by the financial instruments business operator, etc. themselves: the method set forth in the following sub-items (a) and (b) (for the minimum level of electronically recorded transferable rights to be indicated on securities, etc. that are required to be managed by a method other than the method set forth in sub-item (b) in order to secure the convenience of the right holders related to investment property of the investment management business (limited to the business of conducting the act set forth in Article 2, paragraph (8), item (xv) of the Act; hereinafter the same applies in this item and the following item) and smoothly accomplish the investment management business in light of the situation of the investment management business that they conduct, the method set forth in sub-item (a)):

(a) a method of managing electronically recorded transferable rights to be indicated on securities, etc. that are invested securities, etc. by clearly distinguishing them from their own securities, etc., and, in a manner that is possible to immediately identify to which investment property the electronically recorded transferable rights to be indicated on securities, etc. belong (including the manner in which it is possible to immediately identify the share of each investment property related to the electronically recorded transferable rights to be indicated on securities, etc. that are invested securities, etc. through their own books; the same applies in sub-item (a) of the following item); and

(b) a method of managing information necessary for transferring the financial

value of representing the electronically recorded transferable rights to be indicated on securities, etc. that are invested securities, etc., by recording the information on electronic equipment, electronic or magnetic recording medium, or other recording media that are not connected to the internet at all times (including a document or other such objects), or a method of managing that information by taking other equivalent technological security control measures;

(vi) electronically recorded transferable rights to be indicated on securities, etc. that the financial instruments business operator, etc. has a third party manage: the method set forth in the following sub-items (a) and (b) (for the minimum level of electronically recorded transferable rights to be indicated on securities, etc. that are required to be managed by a method other than the method set forth in sub-item (b) in order to secure the convenience of the right holders related to investment property of the investment management business and smoothly accomplish the investment management business in light of the situation of the investment management business that they conduct, the method set forth in sub-item (a)):

(a) a method of having the third party manage electronically recorded transferable rights to be indicated on securities, etc. that are invested securities, etc. by clearly distinguishing them from their own securities, etc., and, in a manner that is possible to immediately identify to which investment property the electronically recorded transferable rights to be indicated on securities, etc. belong; and

(b) a method reasonably found that the level of protection of investment property that is equivalent as the level of management conducted by the financial instruments business operator, etc. themselves has been secured concerning the preservation of electronically recorded transferable rights to be indicated on securities, etc. that are invested securities, etc.;

(vii) rights deemed to be securities pursuant to the provisions of Article 2, paragraph (2) of the Act, rights related to derivative transactions, or other securities, etc. (excluding those set forth in the preceding items): the method specified in the following (a) or (b) in accordance with the category of the cases set forth in each of those items:

(a) if there are documents certifying the rights that are necessary in exercising the rights related to the securities, etc. or if there are other such documents: managing the securities by deeming the documents to be securities, etc. and in accordance with the category of the securities set forth in items (i) through (iv); and

(b) in cases other than the case set forth in sub-item (a): method of having a third party distinctly manage the rights related to the securities, etc. by considering them to be invested securities, etc., and, in a manner that is

possible to immediately identify the status of the management of the rights through their own books.

- (3) Notwithstanding the provisions of the preceding paragraph, if the investment property is co-owned with a financial instruments business operator, etc. and the securities may not be managed pursuant to the provisions of that paragraph, the financial instruments business operator, etc. must manage them in a manner that it is possible to immediately identify the share of each investment property related to invested securities, etc. through their own books.

(Exclusion from Application of Prohibition of Lending Money or Securities Concerning Investment Management Business)

Article 133 The cases specified by Cabinet Office Order as prescribed in Article 16-13, item (vi) of the Order are those in which a financial instruments business operator provides intermediary or brokerage services for lending money or securities to an investment corporation that invests assets.

(Delivery of Investment Reports)

Article 134 (1) The following matters must be stated in an investment report referred to in Article 42-7, paragraph (1) of the Act (hereinafter simply referred to as the "investment report" in this Article and the following Article) (for the particulars set forth in items (ix) through (xi), limited to if investment property is related to business in which acts set forth in Article 2, paragraph (8), item (xii) of the Act are conducted based on discretionary investment contracts):

- (i) the reporting period for the investment report (meaning the period between the day following the latest base date (meaning the date based on which the investment report is prepared; hereinafter the same applies in this Article) (if the investment report is prepared for the first time, the date when the investment of the investment property is commenced) and the base date for that investment report; hereinafter the same applies in this Article);

- (ii) the following matters as the status of the investment property on the base date of the investment report:

- (a) the amount of money (including the amount of cryptoassets);
- (b) the issue, volume, and value of the securities; and
- (c) the issue of derivative transactions (including financial instruments, financial indexes, or other equivalent matters; the same applies in sub-item (d), 2. of the following item), the agreed volume (if there are no volumes, number of transactions or the matters equivalent to volume; the same applies in sub-item (d), 2. of that item), and the unit price, etc. (meaning the unit price, amount of consideration, agreed figure, or any other amount or figure for each unit of transaction; the same applies in

- sub-item (d), 2. of that item);
- (iii) the following matters as the status of the investments made in the reporting period for the investment report:
  - (a) the day when the transaction has been conducted;
  - (b) the type of the transaction;
  - (c) the trade name or name of the counterparty to the act that constitutes financial instruments transactions (if it is provided in the contract for equity in business subject to investment related to the specially-permitted services for qualified institutional investors, etc. that it is not necessary to state the trade name or name of the counterparty if their consent cannot be obtained, excluding the cases in which consent cannot be obtained);
  - (d) the following matters as the content of the transaction:
    - 1. for purchase and sale or other transactions of securities, the issue, volume, value of the securities for each transaction and distinction of whether the transaction is for sale, etc. or purchase, etc.; and
    - 2. for derivatives transactions, the issue, agreed volume, unit price, etc. for the derivative transaction for each transaction and whether the transaction was sale, etc. or purchase, etc. (for a transaction set forth in Article 100, paragraph (1), item (ii), sub-items (a) through (e), matters specified in the sub-items (a) through (e) of that item);
- (iv) the amount of remuneration for the investment of the investment property that has been paid during the reporting period of the investment report;
- (v) if a financial instruments business operator, etc. has conducted an act that falls under type I financial instruments business, type II financial instruments business, or registered financial institution business in relation to a transaction for investment property during the reporting period of the investment report, the amount of fees, remuneration, or any other type of consideration related to act conducted during the reporting period of the investment report;
- (vi) if a financial instruments business operator, etc. has conducted a transaction with any of the following parties during the reporting period of the investment report, the content of the transaction:
  - (a) the financial instruments business operator, etc. themselves, or their directors, executive officers, company auditors, or persons holding positions similar to officers or employees;
  - (b) other investment properties; or
  - (c) the parent corporation, etc. or the subsidiary corporation, etc. of the financial instruments business operator, etc. themselves;
- (vii) the ratio of the total amount of the transaction related to acts that constitute financial instruments transactions conducted with any of the persons set forth in sub-items (a) through (c) of the preceding item as the

- counterparty to the total amount of the transaction related to acts that constitute financial instruments transactions conducted during the reporting period of the investment report; and
- (viii) if there is a person that is the counterparty to the acts that constitute financial instruments transactions conducted as the investment of investment properties during the reporting period of the investment report, whose transaction amount is ten percent or more of the total transaction amount of the acts that constitute financial instruments transactions conducted for the investment property, the trade name or name of the counterparty, and the ratio of the total transaction amount related to the acts that constitute financial instruments transactions conducted for the counterparty to the total transaction amount related to acts that constitute financial instruments transactions conducted during the reporting period of the investment report;
  - (ix) development of investment for the investment property during the reporting period of the investment report (including the factors of the major change in the amount of investment property);
  - (x) changes in status of investment; and
  - (xi) if an external audit has been conducted for the financial instruments business operator, etc. concerning operations related to finance or a discretionary investment contract, when they have received a report related to the external audit during the reporting period of the investment report, the name of the person that has conducted the external audit, subject of the external audit, and summary of the results.
- (2) If investment property is related to business for which the act set forth in Article 2, paragraph (8), item (xii) of the Act is conducted based on a discretionary investment contract, the matters set forth in the items of paragraph (2) of the preceding Article must be stated in addition to the matters set forth in the items of paragraph (2) of that Article in the investment report when the subject securities (excluding those for which the percentage of the amount held to the investment properties is less than three percent) prescribed in Article 96, paragraph (4) are included in the investment property on the base date; provided, however, that this does not apply if all of those matters are stated in the document for delivery prior to conclusion of a contract or contract change document, or investment report related to the discretionary investment contract that is delivered to the counterparty to the discretionary investment contract, within one year before the delivery of the investment report.
- (3) The reporting period must not exceed six months (in cases set forth in the following items, the period specified in each of those items; the same applies in paragraph (5), item (iii)):



- (i) if the right holder (limited to a counterparty to a discretionary investment contract) is a surviving employee's pension fund or the national pension fund: three months;
  - (ii) if the right holder (limited to a counterparty to a contract related to a specially permitted services for qualified institutional investors, etc. (limited to an act set forth in Article 63, paragraph (1), item (ii) of the Act; the same applies in paragraph (5), item (iv))) is a holder of a right that satisfies the requirements set forth in Article 17-12, paragraph (2) of the Order, and the written contract provides for the reporting period: one year.
- (4) A financial instruments business operator, etc. must prepare an investment report after the end of the reporting period and deliver it to the known right holders without delay.
- (5) The cases specified by Cabinet Office Order as prescribed in the proviso to Article 42-7, paragraph (1) of the Act are as follows:
- (i) if it is expected that the person that lives together with a right holder will certainly receive delivery of the investment report, and the right holder has given consent that they will not receive delivery of the investment report before the base date (excluding the case in which the right holder has requested the delivery of the investment report before the base date);
  - (ii) if the beneficiary certificates related to the investment property (meaning the beneficiary certificates that indicate the rights of the right holder concerning the investment property, or the rights) fall under securities for professional investors, and information on the matters required to be stated in an investment report is provided or publicized pursuant to the provisions of Article 27-32, paragraph (1) of the Act or paragraph (2) of that Article as information on the issuer prescribed in paragraph (1) of that Article without delay after the reporting period has elapsed (limited to the case in which the contract or other juridical acts related to the beneficiary certificates provides that the information is to be provided or publicized in lieu of the delivery of an investment report);
  - (iii) when a document stating the matters required to be stated in an investment report is delivered to the known right holders related to the investment property, or an electronic or magnetic record that has recorded the matters is provided to the known right holders, at least once every six months, pursuant to the provisions of other laws and regulations;
  - (iv) if specially permitted services for qualified institutional investors, etc. is to be conducted, and the counterparty to the contract related to the specially permitted services for qualified institutional investors, etc. is a professional investor; and
  - (v) if the document is to be delivered or the electronic or magnetic record is to be provided regularly to the known right holder (excluding a person for

whom delivery of a document equivalent to an investment report created based on foreign laws and regulations or provision of electronic or magnetic records on which matters required to be stated in the document are recorded is not necessary pursuant to the provisions of foreign laws and regulations) related to investment property (limited to investment property related to business of conducting the acts set forth in Article 63-8, paragraph (1), item (i) of the Act).

(Exemption from Requirement of Notification of Investment Reports)

Article 135 The cases specified by Cabinet Office Order as prescribed in the proviso to Article 42-7, paragraph (3) of the Act are those in which a financial instruments business operator, etc. is required to submit an annual securities report set forth in Article 24, paragraph (1) (limited to an annual securities report that states the matters required to be stated in an investment report), in connection with the rights set forth in Article 2, paragraph (8), item (xv), sub-items (a) through (c) of the Act related to the investment property held by the right holder of an investment property pursuant to the provisions of Article 24, paragraph (1) of the Act as applied mutatis mutandis pursuant to paragraph (5) of that Article (including as applied mutatis mutandis pursuant to Article 27 of the Act).

**Subsection 3 Special Provisions on Securities Management Business**

(Method of Managing Securities in a Reliable and Orderly Manner)

Article 136 (1) The methods specified by Cabinet Office Order as prescribed in Article 43-2, paragraph (1) of the Act are the methods specified in the following items in accordance with the category of the securities set forth in each of those items:

- (i) securities managed by the financial instruments business operator, etc. by taking custody themselves (excluding securities to be retained by way of commingled custody; the same applies in the following item): a method in which the place of custody of the securities which a financial instruments business operator, etc. is required to manage separately from their own assets pursuant to the provisions of Article 43-2, paragraph (1) of the Act (hereinafter referred to as the "customers' securities" in this Article) is clearly distinguished from the place of custody of the securities that are their own assets or securities other than customers' securities (hereinafter referred to as "their own securities, etc." in this paragraph), and in a manner that is possible to immediately identify to which customers the securities belong;
- (ii) securities managed by a financial instruments business operator, etc. by

- having a third party take custody: a method in which a financial instruments business operator, etc. manages the securities by having the third party clearly distinguish the place of custody of the customers' securities and the place of custody of their own securities, etc., and, in a manner that is possible to immediately identify to which customers the securities belong;
- (iii) securities managed by the financial instruments business operator, etc. by taking custody themselves (limited to those to be retained by way of commingled custody; the same applies in the following item): managing the securities in a manner that the place of custody of the customers' securities is clearly distinguished from the place of custody of their own securities, etc., and, that is possible to immediately identify the share of each customer related to the customers' securities through their own books;
- (iv) securities managed by the financial instruments business operator, etc. by having a third party take custody: a method of managing the securities in which the financial instruments business operator, etc. has the third party take custody by separating their own account from the account for the customers of the financial instruments business operator, etc. or by any other method, and, in a manner that is possible to immediately identify the share of each customer related to the customers' securities through their own books (if the financial instruments business operator, etc. has a foreign third party take custody of the securities, and if it is not possible to have the third party take custody by separating the share related to the customers' securities and the share related to their own securities, etc. under the laws and regulations of that foreign country, or it is found that there are particularly compelling reasons for the third party to not take custody in a manner that is possible to immediately identify the shares related to the customers' securities, a method in which the financial instruments business operator, etc. manages the securities by having the third party take custody in a manner that is possible to immediately identify the share of each customer related to the customers' securities through their own books);
- (v) electronically recorded transferable rights to be indicated on securities, etc. managed by the financial instruments business operator, etc. themselves: the method set forth in sub-items (a) and (b) (for the minimum level of electronically recorded transferable rights to be indicated on securities, etc. that are required to be managed by a method other than the method set forth in sub-item (b) in order to secure the convenience of the customers of the financial instruments business (including registered financial institution business; hereinafter the same applies in this item and the following item) and accomplish smooth implementation of the financial instruments business, in light of the situation of the financial instruments business that they conduct, the method set forth in sub-item (a)):

- (a) a method of managing electronically recorded transferable rights to be indicated on securities, etc. that are customers' securities by clearly separating them from their own securities, etc., and, in a manner that is possible to immediately identify to which customer the electronically recorded transferable rights to be indicated on securities, etc. belong (including a manner that is possible to immediately identify the share of each customer related to electronically recorded transferable rights to be indicated on securities, etc. that are the customers' securities through their own books; the same applies in sub-item (a) of the following item); and
- (b) a method of managing the information necessary for transferring financial values that represent electronically recorded transferable rights to be indicated on securities, etc. that are customers' securities by recording the information in electronic equipment, electronic or magnetic recording medium, or other recording media that are not connected to the internet at all times (including a document or other objects), or by taking other equivalent technical security control measures;
- (vi) electronically recorded transferable rights to be indicated on securities, etc. that a financial instruments business operator, etc. has a third party manage: the method set forth in sub-items (a) and (b) (for the minimum level of electronically recorded transferable rights to be indicated on securities, etc. that are necessary to be managed by a method other than the method set forth in sub-item (b) in order to secure the convenience of customers of financial instruments business and accomplish smooth implementation of financial instruments business in light of the situation of the financial instruments business that they conduct, the method set forth in the following sub-item (a)):
  - (a) a method of having the third party manage electronically recorded transferable rights to be indicated on securities, etc. that are customers' securities by clearly separating them from their own securities, etc., and, in a manner that is possible to immediately identify to which customer the electronically recorded transferable rights to be indicated on securities, etc. belong; and
  - (b) a method reasonably found that the level of protection of customers that is equivalent as the level of management conducted by the financial instruments business operator, etc. themselves is taken concerning the preservation of electronically recorded transferable rights to be indicated on securities, etc. that are customers' securities;
- (vii) rights deemed to be securities pursuant to the provisions of Article 2, paragraph (2) of the Act (excluding those set forth in the preceding items): the method set forth in the following sub-item (a) or (b) in accordance with the category of cases specified in each of those items:

- (a) if there are documents or other documents certifying the rights that are necessary upon the exercise of those rights: to deem those documents as securities, etc. and manage them in accordance with the category of the securities set forth in items (i) through (iv); and
  - (b) in the cases other than the case set forth in sub-item (a): method of having a third party distinctly manage the rights by considering them to be customers' securities, and, to manage them in a manner that is possible to immediately identify the status of their management through their own books.
- (2) Notwithstanding the provisions of the preceding paragraph, the securities that are co-owned by a financial instruments business operator, etc. and a customer, and that are not possible to manage them pursuant to the provisions of that paragraph, must be managed in a manner that is possible to immediately identify the share of each customer of customers' securities through their own books.

(Business Incidental to Securities-Related Business)

- Article 137 The business specified by Cabinet Office Order as business incidental to securities-related business which is provided for in Article 43-2, paragraph (1), item (ii) of the Act, is business that is incidental to the financial instruments business other than the following businesses:
- (i) business of conducting the acts set forth in Article 35, paragraph (1), item (i), or items (x) through (xvii) of the Act;
  - (ii) business of conduct the act specified in Article 35, paragraph (1), item (ix) of the Act (limited to an act related to the following businesses):
    - (a) among financial instruments businesses (including a registered financial institution business conducted by a registered financial institution), a business other than securities-related business;
    - (b) among securities-related businesses, a business which concerns an over-the-counter derivatives transaction (limited to the transaction prescribed in the following Article) or a transaction prescribed in Article 16-15 of the Order (limited to the transaction prescribed in the following Article); and
    - (c) business set forth in the preceding item; and
  - (iii) business similar to those set forth in the preceding two items.

(Over-the-Counter Derivatives Transactions Related to Securities-Related Business Excluded from Separate Management)

- Article 137-2 A transaction to be conducted with a financial instruments business operator engaged in securities-related business who has obtained a registration referred to in Article 29 of the Act for engaging in type-I financial instruments business as the counterparty and other transactions specified by

Cabinet Office Order by taking into account the characteristics of the counterparty to the transaction, as prescribed in Article 43-2, paragraph (1), item (ii) of the Act are to be transactions conducted with a person that falls under either Article 1-8-6, paragraph (1), item (ii), sub-item (a) or (b) of the Order.

(Calculation of the Amount of Customer-Segregated Funds)

Article 138 The amount required to be returned to the customer which is specified in Article 43-2, paragraph (2) of the Act is calculated for each customer, and is to be the sum of the amount of money set forth in items (i) and (ii) of that paragraph that is the subject of calculation and the market value of the securities set forth in item (iii) of that paragraph (meaning the closing price publicized on that date or the price calculated by a reasonable method as a price equivalent to the closing price; the same applies in the following Article through Article 141).

(Deduction from the Amount of Customer-Segregated Funds)

Article 139 (1) In calculating the amount payable to each customer pursuant to the provisions of the preceding Article, the following amounts may be deducted:

- (i) a claim held by a financial instruments business operator, etc. against the customer (limited to the claim related to the advance payment of purchase price of securities purchased by the customer (limited to the securities separately managed pursuant to the provisions of Article 43-2, paragraph (1) of the Act));
- (ii) money that is the sales price of securities a customer sold by margin transaction (limited to money provided as security for the claim related to the credit granted to the customer by a financial instruments business operator for the margin transaction);
- (iii) the amount set forth in the items of Article 8, paragraph (1) of the Cabinet Office Order on Transactions Prescribed in Article 161-2 of the Financial Instruments and Exchange Act and Security Deposits for the Transactions (limited to the amount related to a customer's margin transaction, and if the amount exceeds the sum of the amount of the money deposited and the market value of securities deposited as security deposit received (meaning the security deposit received prescribed in Article 3, item (i) of that Order) related to the customer's margin transaction, that sum); and
- (iv) the amount of money provided as security by a customer under a contract concerning transaction with a repurchase or resale agreement (meaning a transaction set forth in Article 110, paragraph (1), item (ii), sub-item (a) or (b); the same applies hereinafter).

(2) In calculating the amount related to a customer's margin transaction

prescribed in item (iii) of the preceding paragraph, the profit and loss accrued from fluctuation in the quotation of the securities related to the customer's margin transaction referred to in Article 8, paragraph (1) of the Cabinet Office Order on Transactions Prescribed in Article 161-2 of the Financial Instruments and Exchange Act and Security Deposits for the Transactions are the gains or losses arising from the difference between the contract value of the securities and the price appraised based on the market value on the calculation date, notwithstanding the provisions of Article 8, paragraph (3) of the Cabinet Office Order.

(Special Rules on Procurement Transactions)

Article 140 (1) In calculating the market value of the securities prescribed in Article 138, if, for the purpose of procuring money or securities to be lent to customers for margin transactions, a financial instruments business operator provides as security the securities deposited by the customer which are to be used as money prescribed in Article 161-2, paragraph (1) of the Act pursuant to the provisions of paragraph (2) of that Article (hereinafter referred to as "security deposit substitute securities related to margin transactions" in this Article) to a securities finance company, another financial instruments business operator that conducts transactions (including transactions closed on behalf of the person providing a service for brokerage for clearing of securities, etc. (limited to a brokerage that meets the requirements set forth in Article 2, paragraph (27), item (i) of the Act; hereinafter the same applies in this Article) as an entrustor of the brokerage for clearing of securities, etc.; the same applies in item (i)) with the financial instruments business operator or to a person that has accepted entrustment of brokerage for clearing of securities, etc. from the financial instruments business operator (hereinafter referred to as the "correspondent financial instruments business operator, etc." in this paragraph), and all of the following requirements are satisfied, the market value of those security deposit substitute securities related to margin transactions is to be deducted:

- (i) the management of a transaction to be conducted for procuring money or securities to be lent to customers for a margin transaction by the financial instruments business operator with the securities finance company or the correspondent financial instruments business operator, etc. (hereinafter referred to as "procurement transactions" in this paragraph) by a financial instruments business operator and a securities finance company or a correspondent financial instruments business operator, etc., and the management of other transactions that the financial instruments business operator conducts with the securities finance company or the correspondent financial instruments business operator, etc. (hereinafter referred to as "non-

- procurement transactions" in this paragraph) are clearly distinguished;
- (ii) if a procuring transaction is conducted with a correspondent financial instruments business operator, etc., the correspondent financial instruments business operator, etc. clearly distinguishes the management of procurement transactions for each customer;
  - (iii) the customer retains ownership of security deposit substitute securities related to margin transactions provided as collateral to a securities finance company or a correspondent financial instruments business operator, etc. for a procurement transaction (hereinafter referred to as "specified substitute securities" in this paragraph);
  - (iv) a securities finance company or a correspondent financial instruments business operator, etc. clearly distinguishes the management of the specified substitute securities and the management of securities related to non-procurement transactions, and, it is possible for a financial instruments business operator (if a procuring transaction is conducted with a correspondent financial instruments business operator, etc., including the correspondent financial instruments business operator, etc.) to clearly identify the type and volume of the specified substitute securities owned by each customer through books;
  - (v) a financial instruments business operator and a securities finance company or a correspondent financial instruments business operator, etc. have agreed that the difference between the sum of the money the financial instruments business operator has procured from the securities finance company or correspondent financial instruments business operator, etc. in a procuring transaction and the sum of the market value of the securities, and the sum of the market value of the securities purchased by using the money procured, which the financial instruments business operator has provided as security for the securities finance company or correspondent financial instruments business operator, etc. in the procuring transaction and the sales price of the securities procured will be calculated, and, paid and received, every day; and
  - (vi) a contract provides that a securities finance company or a correspondent financial instruments business operator, etc. is not to dispose of the specified substitute securities for the purpose of appropriating the proceeds to the amount of claims (if a procuring transaction is conducted with a correspondent financial instruments business operator, etc., including claims held by the correspondent financial instruments business operator, etc. in relation to a procuring transaction related to another customer) held by the securities finance company or correspondent financial instruments business operator, etc. against a financial instruments business operator for non-procurement transactions.
- (2) The provisions of the preceding paragraph (excluding item (ii)) apply mutatis



mutandis if a financial instruments business operator, etc. is entrusted brokerage for clearing of securities, etc. from another financial instruments business operator that is a customer and provides the security deposit substitute securities related to margin transactions deposited by that other financial instruments business operator as security to a securities finance company. In such a case, the phrase "a financial instruments business operator (if a procuring transaction is to be conducted with a correspondent financial instruments business operator, etc., including the correspondent financial instruments business operator, etc.)" in item (iv) of that paragraph is deemed to be replaced with "a financial instruments business operator, etc."; and the phrase "the claims (if a procuring transaction is to be conducted with a correspondent financial instruments business operator, etc., including the claims held by the correspondent financial instruments business operator, etc. in relation to a procuring transaction related to the other customer)" in item (vi) of that paragraph is deemed to be replaced with "the claims".

(Calculation of the Amount of Customer Segregated Funds Concerning Over-the-Counter Derivatives Transactions Related to Subject Securities)

Article 140-2 Notwithstanding the provisions of the preceding three Articles, the amount to be returned to the customer which is prescribed in Article 43-2, paragraph (2) of the Act concerning the money set forth in paragraph (2), item (ii) of that Article and securities set forth in item (iii) of that paragraph (limited to those concerning a transaction related to subject securities prescribed in paragraph (1), item (ii) of that Article (limited to those that fall under the following transactions; hereinafter referred to as "over-the-counter derivatives transaction etc. related to subject securities" in this Subsection)) is to be calculated for each customer and the sum of the amount of that money and the market value of those securities which are the subject of the calculation:

- (i) over-the-counter derivatives transactions;
- (ii) foreign market derivatives transactions; or
- (iii) transactions prescribed in Article 16-15 of the Order.

(Deduction from the Amount of Customer Segregated Funds Concerning Over-the-Counter Derivatives Transactions Related to Subject Securities)

Article 140-3 (1) The amount of money referred to in the preceding Article is to include the amount of profit to be accrued by the customer from settling the over-the-counter derivatives transaction, etc. related to subject securities referred to in that Article, and the amount of loss to be incurred by the customer from settling the over-the-counter derivatives transaction, etc. related to subject securities may be deducted.

(2) For the purpose of the calculation of the amount for each customer under the provisions of the preceding Article, when a financial instruments business operator, etc. is conducting over-the-counter derivatives transaction etc. related to subject securities based on a master agreement in which close-out netting has been agreed on with the customer, and a close-out netting event occurs to the customer at the time of the calculation, if there is an appraisal value (meaning an appraisal value referred to in Article 2, paragraph (6) of the Act Concerning Close-Out Netting of Specified Financial Transactions Conducted by Financial Institutions; the same applies in Article 143-2, paragraph (3)) at the time the close-out netting event occurred for a specified financial transaction (meaning a specified financial transaction as defined in Article 2, paragraph (1) of that Act; hereinafter the same applies in this paragraph and Article 143-2, paragraph (3)) being conducted based on the master agreement which is to be the appraisal value for the customer (excluding the appraisal value concerning the over-the-counter derivatives transaction etc. related to subject securities), the amount of the appraisal value may be deducted only to the extent that even in the case an over-the-counter derivatives transaction etc. related to subject securities is settled based on the master agreement, this is found not to impede the protection of customers.

(Requirements for Customer Segregated Fund Trusts)

Article 141 (1) For the trust specified in Article 43-2, paragraph (2) of the Act (hereinafter referred to as "customer segregated fund trust"), a financial instruments business operator, etc. must satisfy all of the following requirements (for a financial instruments business operator and a type I small amount electronic public offering service provider specified in Article 18-7-2, paragraph (1) of the Order (limited to an operator that is not a member of an investor protection fund; hereinafter the same applies in this Article), and a registered financial institution, excluding the requirements set forth in items (iii) and (x)):

(i) for a trust agreement concerning a customer segregated fund trust (excluding a customer segregated fund trust related to an over-the-counter derivatives transaction etc. related to subject securities; hereinafter the same applies in this Article) (hereinafter the trust agreement is referred to as "customer segregated fund trust agreement" in this Article), a financial instruments business operator, etc. is to be the settlor, a trust company or a financial institution engaged in trust business is to be the trustee, and, a customer of financial instruments business conducted by the financial instruments business operator, etc. (including registered financial institution business) is to be the beneficiary of the principal;

- (ii) a beneficiary's agent is to be appointed for a customer segregated fund trust, and if a financial instruments business operator, etc. concludes two or more customer segregated fund trust agreements, the same person is to be assigned as the beneficiary's agent for those customer segregated fund trust agreements;
- (iii) if a financial instruments business operator comes to fall under a notifying financial instruments business operator (meaning the notifying financial instruments business operator prescribed in Article 79-54 of the Act; the same applies in item (x)), unless otherwise specifically permitted by an investor protection fund (limited to a fund to which the financial instruments business operator, etc. belongs, and excluding an investor protection fund which has a provision of articles of incorporation under the provisions of Article 79-49, paragraph (4) of the Act; hereinafter the same applies in this paragraph), an investor protection fund is to be assigned as a beneficiary's agent;
- (iv) the investment of money that belong to trust property under a customer segregated fund trust (excluding a money trust created with a financial institution engaged in trust business, which has an agreement on compensation for loss of principal) is to be made only by the following methods:
  - (a) holding of government bonds or other securities designated by the Commissioner of the Financial Services Agency;
  - (b) depositing money with a bank or other financial institutions designated by the Commissioner of the Financial Services Agency (excluding financial instruments business operator, etc. themselves); or
  - (c) other methods designated by the Commissioner of the Financial Services Agency;
- (v) if a customer segregated fund trust is a securities trust or a money and securities trust, the securities to be entrusted are to be limited to government bonds or other securities designated by the Commissioner of the Financial Services Agency, and the securities that are trust property under the customer segregated fund trust are not to be invested through loans;
- (vi) a financial instruments business operator, etc. is to calculate the individual amount of customer segregated fund to be refunded (meaning the amount required to be refunded to the customer which has been calculated for each customer pursuant to the provisions of Articles 138 through 140; hereinafter the same applies in this item and item (xii)) and the required amount of customer segregated fund (meaning the sum of the individual amount of customer segregated fund to be refunded; hereinafter the same applies in this Article) every day;
- (vii) if the appraisal value of the principal of the trust property on the base

date that is set at least once a week (hereinafter referred to as the "reappraisal base date" in this Article) is less than the required amount of customer segregated fund, the trust property equivalent to the shortfall amount is to be added within three business days from the day immediately after the reappraisal base date;

(viii) the appraised value of the securities that are trust property is to be the amount specified in the following sub-items (a) through (c) in accordance with the category of the cases set forth in each of those sub-items (a) through (c):

(a) the customer segregated fund trust is a money trust created with a financial institution engaged in trust business, which has an agreement on compensation for loss of principal: the amount of the principal of the money trust;

(b) the customer segregated fund trust is a securities trust or a money and securities trust: the amount not exceeding the amount arrived by multiplying the market value on the reappraisal base date by the rate the Commissioner of the Financial Services Agency specifies in consideration of ensuring the protection of customers that are the beneficiaries of the principal of the customer segregated fund trust; or

(c) in the cases other than those set forth in sub-item (a) or (b): the market value on the reappraisal base date;

(ix) the cases in which the customer segregated fund trust agreement may be cancelled in whole or in part, are to be as follows:

(a) if the appraised value of the principal of the trust property on the reappraisal base date exceeds the required amount of customer segregated fund, and a financial instruments business operator, etc. seeks to cancel the customer segregated fund trust agreement in whole or in part within the amount equivalent to the excess amount;

(b) if a financial instruments business operator, etc. seeks to cancel the customer segregated fund trust agreement in whole or in part on the payment date of deposit related to public offering, etc. (meaning deposit for subscription or amount to be paid for share certificates, bond certificates, beneficiary certificates for investment trust, or investment securities related to secondary distribution or solicitation for selling, etc. only for professional investors, handling of a public offering or secondary distribution, or handling of a private placement or a solicitation for selling, etc. only for professional investors, received from customers; hereinafter the same applies in this Article) within the amount equivalent to the required amount of customer segregated fund concerning the deposit related to public offering, etc. (if the amount exceeds the remaining amount of the customer segregated fund, the remaining amount of the

- customer segregated fund); or
- (c) if a financial investments business operator seeks to cancel the customer segregated fund trust agreement in whole or in part in order to change it into another customer segregated fund trust agreement;
  - (x) if a financial instruments business operator comes to fall under a notifying financial instruments business operator, unless otherwise specifically permitted by an investor protection fund, the financial instruments business operator is not to give instructions on investment of trust property to trustees;
  - (xi) the beneficial interest in principal related to the customer segregated fund agreement is to be exercised as a whole by a beneficiary agent (limited to the investor protection fund that is a beneficiary agent if the settlor is a financial instruments business operator other than the financial instruments business operator and type I small amount electronic public offering service provider specified in Article 18-7-2, paragraph (1) of the Cabinet Order, and limited to attorney-at-law, etc. who is a beneficiary agent (meaning the attorney-at-law, etc. prescribed in paragraph (7), item (i)) if the settlor is the financial instruments business operator or type I small amount electronic public offering service provider specified in that paragraph; hereinafter the same applies in this item and paragraph (6)), when the beneficiary agent determines it to be necessary;
  - (xii) the value equivalent to the beneficial interest in principal for each customer that is a beneficiary of the principal is the amount arrived by multiplying the realized amount of principal of the customer segregated fund trust at the time of exercising the beneficial interest in principal by the ratio of the individual amount of customer segregated fund to be refunded related to the customer to the required amount of customer segregated fund on the date of the exercise of the beneficial interest (if the amount exceeds the individual amount of customer segregated fund to be refunded, the individual amount of customer segregated fund to be refunded); and
  - (xiii) the portion of the realized amount of principal exceeding the sum of the value equivalent to the beneficial interest in principal for each customer is vested in the financial instruments business operator, etc. that is a settlor.
- (2) In the case referred to in item (vii) of the preceding paragraph, if there is a portion concerning the deposit related to public offering, etc. (limited to the deposit paid before the day trust property was added pursuant to the provisions of that item; hereinafter the same applies in this paragraph) in the required amount of customer segregated fund referred to in that item, the required amount of customer segregated fund concerning the deposit related to public offering, etc. may be deducted from the shortfall amount referred to in that item.

- (3) The trust property related to the cancellation of the customer segregated fund trust agreement in whole or in part conducted pursuant to the provisions of paragraph (1), item (ix) may be vested in the financial instruments business operator, etc. that is a settlor.
- (4) The term "remaining customer segregated fund" as used in paragraph (1), item (ix), (b) means the amount arrived at by deducting the required amount of customer segregated fund (excluding the amount concerning the deposit related to public offering, etc.) from the appraisal value of the principal of trust property under the customer segregated fund trust agreement on the day of the calculation of the required amount of customer segregated fund concerning the deposit related to public offering, etc. in relation to the cancellation of the customer segregated fund trust agreement in whole or in part conducted pursuant to the provisions of item (ix), sub-item (b) of that paragraph.
- (5) In the case referred to in paragraph (1), item (xi), the customer segregated fund trust agreement referred to in that item may be terminated by considering that its purpose has been achieved.
- (6) The term "realized amount of principal" as used in paragraph (1), items (xii) and (xiii) means the amount obtained by realizing the trust property that is the principal under the customer segregated fund agreement, or the amount equivalent to that amount calculated by a reasonable method by the beneficiary agent.
- (7) For a customer segregated fund trust, the financial instruments business operator or a type I small amount electronic public offering service provider specified in Article 18-7-2, paragraph (1) of the Cabinet Order must satisfy all of the following requirements in addition to the requirements set forth in the items of paragraph (1) (excluding those specified in items (iii) and (x) of that paragraph):
- (i) at least one of the beneficiary agents is to be appointed from an attorney-at-law, legal professional corporation, certified public accountant, audit corporation, tax accountant, tax accountant corporation, or a person designated by the Commissioner of the Financial Services Agency (hereinafter referred to as an "attorney-at-law, etc." in this paragraph and paragraph (1) of the following Article);
  - (ii) if the financial instruments business operator or the type I small amount electronic public offering service provider specified in Article 18-7-2, paragraph (1) of the Cabinet Order comes to fall under any of the requirements set forth in Article 141-2, paragraph (1), item (iv), subitem (a), or sub-items (c) through (g), only a beneficiary agent that is an attorney-at-law, etc. is to exercise their authority (excluding the case in which the beneficiary agent approves the exercise of authority by another beneficiary agent);

- (iii) if the financial instruments business operator or the type I small amount electronic public offering service provider specified in Article 18-7-2, paragraph (1) of the Cabinet Order comes to fall under any of the requirements set forth in Article 141-2, paragraph (1), item (iv), sub-item (a), or sub-items (c) through (g), the financial instruments business operator or the type I small amount electronic public offering service provider may not give the trustee instructions on the investment of trust property to the settlor, unless otherwise specifically permitted by a beneficiary agent that is an attorney-at-law, etc.; and
- (iv) if the beneficial interests of customers have been exercised collectively by a beneficiary agent that is an attorney-at-law, etc., the trust agreement related to the beneficial interests may be terminated.

(Requirements for Customer Segregated Fund Trust Related to Over-the-Counter Derivatives Transaction Related to Subject Securities)

Article 141-2 (1) Notwithstanding the provisions of the preceding Article, the contract related to a customer segregated fund trust concerning an over-the-counter derivatives transaction etc. related to subject securities (hereinafter simply referred to as a "customer segregated fund trust" in this Article) must satisfy all of the following requirements:

- (i) a financial instruments business operator, etc. is to be the settlor, a trust company or a financial institution engaged in trust business is to be the trustee, and, the customer for over-the-counter derivatives transaction etc. related to subject securities conducted by the financial instruments business operator, etc. is to be the beneficiary of the principal;
- (ii) beneficiary agents are to be appointed and at least one of the beneficiary agent is to be appointed from an attorney-at-law, etc.;
- (iii) in creating multiple customer segregated fund trusts, the same beneficiary agent is to be appointed for those multiple customer segregated fund trusts;
- (iv) if a financial instruments business operator, etc. comes to satisfy any the following requirements, only a beneficiary agent that is an attorney-at-law, etc. is to exercise the authority (excluding the case in which the beneficiary agent approves another beneficiary agent to exercise the authority):
  - (a) registration referred to in Article 29 of the Act has been revoked pursuant to the provisions of Article 52, paragraph (1) or (4), Article 53, paragraph (3), Article 54, or Article 57-6, paragraph (3) of the Act;
  - (b) registration referred to in Article 33-2 of the Act has been revoked pursuant to the provisions of Article 52-2, paragraph (1) or (3), or Article 54 of the Act;
  - (c) filing of an application for commencement of bankruptcy proceedings, rehabilitation proceedings, reorganization proceedings, or special

- liquidation proceedings (for a financial instruments business operator, etc. that is a foreign corporation, filing of an application for commencement of bankruptcy proceedings, rehabilitation proceedings, reorganization proceedings, or special liquidation proceedings in Japan, or filing the same kind of application in a country where the head office is located based on the laws and regulations of that country);
- (d) discontinuation of financial instruments business, etc. (for a financial instruments business operator, etc. that is a foreign corporation, discontinuation of financial instruments business, etc. at all business offices or offices established in Japan; hereinafter the same applies in sub-item (d)) or dissolution (for a financial instruments business operator, etc. that is a foreign corporation, commencement of liquidation of all business offices or offices established in Japan; hereinafter the same applies in sub-item (d)), or when a public notice of discontinuation or dissolution of financial instruments business, etc. under the provisions of Article 50-2, paragraph (6) of the Act has been given;
  - (e) receiving an order for suspension of all or part of the business under the provisions of Article 52, paragraph (1) of the Act (limited to the cases that fall under item (vii) of that paragraph);
  - (f) the Prime Minister has filed a petition for commencement of reorganization proceedings under the provisions of Article 377, paragraph (1) of the Act on Special Measures for the Reorganization Proceedings of Financial Institutions (Act No. 95 of 1996), a petition for commencement of rehabilitation proceedings under the provisions of Article 446, paragraph (1) of that Act or a petition for commencement of bankruptcy proceedings under the provisions of Article 490, paragraph (1) of that Act with a court; or
  - (g) the Prime Minister has received a notice under the provisions of Article 379, Article 448, or Article 492 of the Act on Special Measures for the Reorganization Proceedings of Financial Institutions or other notices concerning special liquidation proceedings;
  - (v) the methods of investment of trust property related to the customer segregated fund (excluding a money trust with a financial institution engaged in trust business which has an agreement on compensation for loss of principal) are to be the following methods:
    - (a) holding of the following securities:
      1. national government bond certificates;
      2. local government bond certificates;
      3. securities issued by public corporations (established by the State), public finance corporations, and public corporations (established by the State or local governments) and other securities for which the government



- guarantees the payment of their principal and interest;
4. national federation bonds under the provisions of Article 54-2-4, paragraph (1) of the Shinkin Bank Act, long-term credit bank bonds under the provisions of Article 8 of the Long-Term Credit Bank Act, Norinchukin Bank bonds under the provisions of Article 60 of the Norinchukin Bank Act, and Shoko Chukin Bank bonds under the provisions of Article 33 of The Shoko Chukin Bank Limited Act (including those deemed to be Shoko Chukin Bank bonds issued pursuant to the provisions of Article 33 of that Act pursuant to the provisions of Article 37 of the Supplementary Provisions of that Act);
  5. specified corporate bonds under the provisions of Article 8, paragraph (1) of the Act on Financial Institutions' Merger and Conversion (Act No. 86 of 1968) (including as applied mutatis mutandis pursuant to Article 55, paragraph (4) of that Act) (including bond certificates under the provisions of Article 17-2, paragraph (1) of the Act on Financial Institutions' Merger and Conversion before the amendment by Article 199 of the Act on Arrangement of Relevant Acts Incidental to Enforcement of the Companies Act (Act No. 87 of 2005) (including as applied mutatis mutandis pursuant to Article 24, paragraph (1), item (vii) of that Act));
  6. beneficiary certificates under the Loan Trust Act (Act No. 195 of 1952) which has an agreement on compensation for loss of principal;
  7. secured bonds (limited to those whose redemption or interest payment is delayed); and
  8. beneficiary certificates of investment trusts set forth in Article 65, item (ii), sub-items (a) through (c) (limited to within the range equivalent to one third of the required amount of customer segregated fund (meaning the sum of the individual amounts of customer segregated fund to be refunded (meaning the amount calculated for each customer pursuant to the provisions of Articles 140-2 and 140-3 to be refunded to the customer; the same applies in item (xiv) and the following Article); hereinafter the same applies in this paragraph and the following Article)); or
- (b) depositing money in a savings account at any of the following financial institutions (if the financial instruments business operator, etc. is the financial institution, excluding depositing money in a savings account at that financial institution):
1. a bank;
  2. a Shinkin bank and a federation of Shinkin banks, and a labor bank and a federation of labor banks;
  3. The Norinchukin Bank and The Shoko Chukin Bank Limited; and

4. a credit cooperative and a federation of credit cooperatives, and an agricultural cooperative, a federation of agricultural cooperatives, a fisheries cooperative, a federation of fisheries cooperatives, a fishery processing cooperative, and a federation of fishery processing cooperatives, which accepts deposit of money in a savings account on a regular basis;
- (c) a call loan;
- (d) due from bank accounts to the financial institution engaged in trust business that is a trustee; and
- (e) a money trust with a financial institution engaged in trust business which has an agreement on compensation for loss of principal;
- (vi) if the appraisal value of the principal of trust property is less than the required amount of customer segregated fund, money in an amount equivalent to the shortfall amount is to be added to the trust property by the financial instruments business operator, etc. within two business days counting from the day following the date when the shortfall occurs;
- (vii) a financial instruments business operator, etc. is to calculate the appraisal value of securities that are trust property by their market value (excluding the case in which the customer segregated fund trust is a money trust with a financial institution engaged in trust business which has an agreement on compensation for loss of principal);
- (viii) if the customer segregated fund trust is a money trust with a financial institution engaged in trust business which has an agreement on compensation for loss of principal, the appraisal value of the principal of that trust property is to be used as the amount of the principal of that money trust;
- (ix) in the cases other than the following cases, all or part of the contract related to the customer segregated fund trust may not be canceled:
  - (a) if the appraisal value of the principal of trust property exceeds the required amount of customer segregated fund, all or part of the contract related to the customer segregated fund trust is to be canceled to the extent of the excess amount; or
  - (b) if all or part of the contract related to the customer segregated fund trust is canceled for the purpose of entrustment as a trust property related to another customer segregated fund trust;
- (x) the trust property related to the cancellation of the contract related to the customer segregated fund trust in whole or in part in the case set forth in sub-item (a) or (b) of the preceding item is to be vested in the settlor;
- (xi) if the financial instruments business operator etc. comes to fall under any of item (iv), sub-items (a) through (g), the financial instruments business operator, etc. may not give instructions on investment of the trust property,

- unless otherwise specifically permitted by a beneficiary agent that is an attorney-at-law, etc.;
- (xii) if a beneficiary agent that is an attorney-at-law, etc. determines it to be necessary, the beneficial interests of customers are to be exercised collectively for all customers by that beneficiary agent;
  - (xiii) if the beneficial interests of customers have been exercised collectively by a beneficiary agent that is an attorney-at-law, etc., the trust agreement related to the beneficial interests may be terminated;
  - (xiv) the amount to be paid to each customer when a customer exercises beneficial interests is to be the amount arrived by multiplying the realized amount of principal on the day of the exercise of the beneficial interests by the ratio of the individual amount of customer segregated fund to be refunded related to the customer to the required amount of customer segregated fund on that date (if the amount exceeds the individual amount of customer segregated fund to be refunded, the individual amount of customer segregated fund to be refunded); and
  - (xv) if the realized amount of principal on the day when the customer exercises the beneficial interests exceeds the required amount of customer segregated fund, the excess amount is to be vested in the settlor.
- (2) The term "realized amount of principal" as used in items (xiv) and (xv) of the preceding paragraph means the amount that is obtained by realizing the trust property related to the customer segregated fund trust (limited to the portion of principal) (if the customer segregated fund trust has compensation for loss of principal, the amount of principal).

(Calculation of Individual Amount of Customer Segregated Funds to Be Refunded)

Article 141-3 A financial instruments business operator, etc. must calculate the individual amount of customer segregated fund to be refunded and the required amount of customer segregated fund every day.

(Audit of Separate Management)

Article 142 (1) Based on the provisions of paragraph (3) of Article 43-2, paragraph (3) of the Act, a financial instruments business operator must undergo an audit by a certified public accountant or audit corporation on the status of management under the provisions of paragraph (1) and (2) of that Article (hereinafter referred to as "audit of separate management") periodically and at least once every year, as specified by the rules of a financial instruments firms association to which they belong (limited to the rules designated by the Commissioner of the Financial Services Agency (hereinafter referred to as "association rules" in this Article), and for a financial

instruments business operator that does not belong to a financial instruments firms association that has association rules, the rules specified by the Commissioner of the Financial Services Agency).

- (2) The association rules must state the following matters:
- (i) the matters concerning the standards and procedures for audit of separate management;
  - (ii) the matters concerning a report on the results of an audit of separate management;
  - (iii) the matters concerning measures to be taken when a member of a financial instruments firms association violates laws and regulations, dispositions issued by administrative agencies based on laws and regulations, or the articles of incorporation of the financial instruments firms association or other rules, or necessary measures to be taken on the status of management by the member under the provisions of Article 43-2, paragraphs (1) and (2) of the Act;
  - (iv) the matters concerning changes to association rules; and
  - (v) beyond what is set forth in the preceding items, the necessary matters for conducting an audit of separate management.
- (3) A person set forth in any of the following items may not conduct an audit of separate management:
- (i) a person that may not conduct the services related to audits under the provisions of Article 43-2, paragraph (3) of the Act, pursuant to the provisions of the Certified Public Accountants Act;
  - (ii) an officer or employee of the financial instruments business operator, or their specified individual shareholder (meaning the specified individual shareholder prescribed in Article 15-16, paragraph (1), item (iv) of the Order);
  - (iii) a parent corporation, etc. or subsidiary corporation, etc. of the financial instruments business operator;
  - (iv) a person that continuously receives remuneration for a service other than the service for the certified public accountant or audit corporation from the financial instruments business operator or any of the persons set forth in the preceding two items, or their spouse; and
  - (v) an audit corporation any of whose members fall under the person set forth in item (ii) or the preceding item.

(Business Incidental to Business Related to Brokerage for Commodity-Related Market Derivatives Transactions)

Article 142-2 The business specified by Cabinet Office Order as prescribed in Article 43-2-2 of the Act is the business related to the act set forth in Article 35, paragraph (1), item (ix) of the Act (limited to the business related to brokerage,

etc. for commodity-related market derivatives transactions (meaning the brokerage, etc. for commodity-related market derivatives transactions provided for in Article 43-2-2 of the Act; the same applies hereinafter)).

(Separate Management of Securities for Subject Commodity Derivatives Transaction-Related Transactions)

Article 142-3 (1) If a financial instruments business operator, etc. manages property based on the provisions of Article 43-2-2 of the Act, and the property is securities, etc., they must manage those securities, etc. by separating them from their own property by the method specified in the following items in accordance with the category of the securities, etc. set forth in each of those items:

- (i) securities, etc. managed by a financial instruments business operator, etc. by taking custody themselves (excluding those retained by commingled custody; the same applies in the following item): a method in which the place of custody of the securities, etc. that a financial instruments business operator, etc. is required to manage separately from their own property pursuant to the provisions of Article 43-2-2 of the Act (hereinafter referred to as the "customers' securities, etc." in this Article) is clearly distinguished from the place of custody of the securities, etc. other than their own securities, etc. or another customers' securities, etc. (hereinafter referred to as the "own securities, etc." in this paragraph), and, in a manner that is possible to immediately identify to which customers those customers' securities, etc. belong;
- (ii) securities, etc. managed by a financial instruments business operator, etc. by having a third party take custody: a method in which a financial instruments business operator, etc. has the third party make a clear distinction between the place of the custody of the customers' securities, etc. and the place of the custody of the own securities, etc., and retain custody of the customers' securities, etc. in a manner that is possible to immediately identify to which customers those customers' securities, etc. belong;
- (iii) securities, etc. managed by a financial instruments business operator, etc. by taking custody themselves (limited to those retained by commingled custody; the same applies in the following item): a method in which the place of custody of the customers' securities, etc. is clearly distinguished from the place of custody of the own securities, etc., and, in a manner that is possible to immediately identify the share of each customer related to the customers' securities, etc. through their own books;
- (iv) securities, etc. managed by a financial instruments business operator, etc. by having a third party take custody: a method in which a financial instruments business operator, etc. has the third party take custody by

separating the account for the customers of the financial instruments business operator, etc. from their own account or in a manner that is possible to immediately identify the share related to the customers' securities, etc., and, that is possible to immediately identify the share of each customer related to the customers' securities, etc. through their own books (if a financial instruments business operator, etc. has a foreign third party take custody, and if it is not possible for the financial instruments business operator, etc. to have the third party take custody by separating the share related to the customers' securities, etc. and the share related to their own securities, etc. due to laws and regulations of that foreign country, or it is found that there are particularly compelling reasons to have the third party take custody in a manner that is possible to immediately identify the shares related to the customers' securities, etc. through their own books, a method in which the financial instruments business operator, etc. has the third party take custody in a manner that is possible to immediately identify the share of each customer related to those customers' securities, etc. through their own books);

- (v) rights deemed to be securities pursuant to the provisions of Article 2, paragraph (2) of the Act (excluding those set forth in the preceding items): the method specified in the following sub-item (a) or (b) in accordance with the category of the cases set forth in each of those items:
  - (a) cases in which there are documents or other documents certifying the rights related to the securities, etc., which are necessary upon exercising those rights: method of managing them by deeming those documents to be securities, etc. and in accordance with the category of the securities set forth in each of the preceding items; and
  - (b) in the cases other than those set forth in sub-item (a): method of having a third party distinctly manage the rights related to the securities, etc. by considering them to be customers' securities, etc., and, in a manner that is possible to immediately identify the status of management through their own books.
- (2) Notwithstanding the provisions of the preceding paragraph, if the securities, etc. are co-owned by the financial instruments business operator, etc. and a customer, and it is not possible to manage them in a manner as specified by the provisions of that paragraph, the financial instruments business operator, etc. must manage them in a manner that is possible to immediately identify the share of each customer related to the customers' securities, etc. through their own books.
- (3) The term "securities, etc." provided in the preceding two paragraphs means the following securities and other properties that are not money (excluding securities and other properties that are not money managed pursuant to the

provisions of paragraph (1) of the following Article):

- (i) securities and other properties that are not money deposited with the financial instruments business operator, etc. by customers pursuant to the provisions of Article 119 of the Act (limited to those deposited in relation to commodity-related market derivatives transactions); and
- (ii) concerning subject commodity derivatives transaction-related transactions (meaning subject commodity derivatives transaction-related transactions provided for in Article 43-2-2 of the Act; the same applies in paragraph (1), item (ii) of the following Article and Article 142-5, paragraph (1), item (i)), securities or commodities possessed by a financial instruments business operator, etc. on the account of customers (including instruments or certificates issued for the commodities deposited; hereinafter the same applies in this item and the following Article) or securities or commodities deposited with the financial instruments business operator, etc. by customers (excluding securities or commodities set forth in the preceding item and securities or commodities that may be consumed by the financial instruments business operator, etc. under a contract).

(Separate Management of Money Related to Subject Commodity Derivatives Transaction-Related Transactions)

Article 142-4 (1) If a financial instruments business operator, etc. manages property based on the properties of Article 43-2-2 of the Act and the property is money, securities or other properties set forth in the following items, they must manage the money equivalent to the amount required to be refunded to customers when they discontinue financial instruments business (including registered financial institution business; hereinafter the same applies in this paragraph) or other cases in which they cease to conduct financial instruments business separately from their own property, and must create a trust with a trust company or a financial institution engaged in trust business in Japan for the purpose of managing the money equivalent to the amount required to be refunded to customers when they discontinue financial instruments business or other cases in which they cease to conduct financial instruments business:

- (i) money deposited with a financial instruments business operator, etc. by customers pursuant to the provisions of Article 119 of the Act (limited to those deposited in relation to commodity-related market derivatives transactions);
- (ii) money belonging to the account of customers or money deposited with the financial instruments business operator, etc. by customers, concerning subject commodity derivatives transaction-related transactions (excluding the money set forth in the preceding item); and
- (iii) among the securities or other properties set forth in the items of paragraph

- (3) of the preceding Article, securities provided as collateral pursuant to the provisions of Article 43-4, paragraph (1) of the Act or commodities provided as collateral pursuant to the provisions of paragraph (2) of that Article.
- (2) The amount required to be refunded to the customer that is specified in the preceding paragraph is to be calculated for each customer, and is to be the sum of the amount of money set forth in items (i) and (ii) of that paragraph and the market value of the securities or commodities set forth in item (iii) of that paragraph, on which the calculation is made (meaning the closing price publicized on that date or the price equivalent to the closing price calculated by a reasonable method; the same applies in the following Article).
- (3) The amount of money referred to in the preceding paragraph is to include the amount of profit that would arise to the customer from settling transactions related to brokerage, etc. for commodity-related market derivatives transactions, and the amount of loss that the customer incurs from settling the transactions related to the brokerage, etc. for commodity-related market transactions of derivatives may be deducted.

(Requirement for Commodity Customer Segregated Fund Trust)

Article 142-5 (1) In creating the trust specified in paragraph (1) of the preceding Article (hereinafter referred to as "commodity customer segregated fund trust"), a financial instruments business operator, etc. must satisfy all of the following requirements (for a registered financial institution, excluding the requirements set forth in items (iii) and (x)):

- (i) the trust agreement for the commodity customer segregated fund trust (hereinafter referred to as "commodity customer segregated fund trust agreement" in this Article) is to have a financial instruments business operator, etc. as the settlor, a trust company or a financial institution engaged in trust business as the trustee, and the customer of the subject commodity derivatives transaction-related transactions conducted by the financial instruments business operator, etc. as the beneficiary of the principal;
- (ii) a beneficiary agent is to be appointed for a commodity customer segregated fund trust, and if a financial instruments business operator, etc. is to conclude two or more customer segregated fund trust agreements, the beneficiary agent for these customer segregated fund trust agreements is to be the same person;
- (iii) if a financial instruments business operator comes to fall under a notifying financial instruments business operator (meaning the notifying financial instruments business operator prescribed in Article 79-54 of the Act; the same applies in item (x)), an investor protection fund (limited to a fund to which the financial instruments business operator, etc. belongs, and



- excluding that has a provision on the article of incorporation under the provisions of Article 79-49, paragraph (2) of the Act; hereinafter the same applies in this paragraph) is the beneficiary agent, unless otherwise specifically permitted by the investor protection fund;
- (iv) the investment of money belonging to the trust property under the commodity customer segregated fund trust (excluding the money trust created with a financial institution engaged in trust business, which has an agreement on compensation for loss of principal) is made by the methods set forth in Article 141, paragraph (1), item (iv), sub-items (a) through (c);
  - (v) if a commodity customer segregated fund trust is a securities trust, or a money and securities trust, the securities to be entrusted are limited to government bonds or other securities designated by the Commissioner of the Financial Services Agency, and that the securities that is trust property under the commodity customer segregated fund trust are not to be invested through loans;
  - (vi) if a financial instruments business operator, etc. is to calculate the individual amount of commodity customer segregated fund to be refunded (meaning the amount required to be refunded to a customer calculated for each customer pursuant to the provisions of paragraph (2) of the preceding Article; hereinafter the same applies in this item and item (xii)) and the required amount of commodity customer segregated fund (meaning the sum of the individual amount of commodity customer segregated funds to be refunded; the same applies in this paragraph) every day;
  - (vii) if the appraisal value of the principal of trust property on the base date established at least once a week (hereinafter referred to as the "reappraisal base date") is less than the required amount of commodity customer segregated fund, the trust property equivalent to the shortfall amount is to be added within three business days from the day after the reappraisal base date;
  - (viii) the appraised value of the securities that is trust property is the amount specified in the following sub-items (a) through (c) in accordance with the category of the cases set forth in each of those sub-items:
    - (a) if a commodity customer segregated fund trust is a money trust created with a financial institution engaged in trust business, which has an agreement on compensation for loss of principal: the amount of principal of the money trust;
    - (b) if a commodity customer segregated fund trust is a securities trust, or a money and securities trust: the amount that does not exceed the amount arrived by multiplying the market value on the reappraisal base date by the rate the Commissioner of the Financial Services Agency specifies in consideration of ensuring of the protection of a customer that is the

- beneficiary of the principal of the commodity customer segregated fund trust; or
- (c) in the cases other than those set forth in sub-item (a) or (b): the market value on the reappraisal base date;
- (ix) the cases in which the cancellation of the customer segregated fund trust agreement or part of the agreement may be made are as follows:
- (a) if the appraised value of the principal of the trust property on the reappraisal base date exceeds the required amount of commodity customer segregated fund, and a financial instruments business operator seeks to cancel the customer segregated fund trust agreement or part of the agreement, within the amount equivalent to the excess amount;
- (b) if a financial instruments business operator seeks to cancel a commodity customer segregated fund trust agreement or part of the agreement in order to change it into another commodity customer segregated fund trust agreement.
- (x) if a financial instruments business operator comes to fall under a notifying financial instruments business operator, the financial instruments business operator is not to give the trustee instructions on the investment of trust property, unless otherwise specifically permitted by the investor protection fund;
- (xi) the beneficial interest in principal related to a commodity customer segregated fund trust agreement is to be exercised collectively for all customers by a beneficiary agent (if the settlor is a financial instruments business operator, limited to an investor protection fund that is a beneficiary agent; hereinafter the same applies in this item and paragraph (4)), when the agent determines it to be necessary;
- (xii) the value equivalent to beneficial interest in principal for each customer that is a beneficiary of principal is to be the amount arrived by multiplying the realized amount of principal of the commodity customer segregated fund trust at the time of exercising the beneficial interest in principal by the ratio of the individual amount of commodity customer segregated fund to be refunded related to the customer to the required amount of commodity customer segregated fund on the date of the exercise of the beneficial interest (if the amount exceeds the individual amount of commodity customer segregated fund to be refunded, the individual amount of commodity customer segregated fund to be refunded); and
- (xiii) the portion of the realized amount of principal that exceeds the sum of the value equivalent to the beneficial interest in principal for each customer is to be vested in the financial instruments business operator, etc. that is a settlor.
- (2) The trust property related to the cancellation of the commodity customer

segregated fund trust agreement or of part of the agreement made pursuant to the provisions of item (ix) of the preceding paragraph may be vested in the financial instruments business operator, etc. that is a settlor.

- (3) In the case referred to in paragraph (1), item (xi), the commodity customer segregated fund trust agreement referred to in that item may be terminated by considering that its purpose has been achieved.
- (4) The term "realized amount of principal" as used in paragraph (1), items (xii) and (xiii) means the amount obtained by realizing the trust property that is the principal under the commodity customer segregated fund agreement, or the amount calculated by a beneficiary agent by a reasonable method as an amount equivalent to that amount.

#### (Separate Management of Money)

Article 143 (1) If a financial instruments business operator, etc. manages money or other security deposits based on the provisions of Article 43-3, paragraph (1) of the Act, and the security deposit is money, they must manage the money by separating it from their own property by the method specified in the following items in accordance with the category of derivatives transaction, etc.

(excluding a transaction that falls under securities-related derivatives transaction, commodity-related market derivatives transaction, or brokerage, etc. for commodity-related market derivatives transaction) set forth in each of those items:

- (i) currency-related derivatives transaction, etc. and cryptoasset-related derivatives transaction, etc.: a money trust with a trust company or a financial institution engaged in trust business; and
- (ii) transactions other than derivative transactions, etc. set forth in the preceding item: the following methods:
  - (a) setting up a savings account at a bank, cooperative financial institution or the Shoko Chukin Bank, Ltd. (limited to an account for which it is obvious from the holder's name that the money used is the security deposit);
  - (b) a money trust created with a financial institution engaged in trust business, which has compensation for principal losses, or a money trust created with a trust company or a financial institution engaged in trust business, for which the trust property is to be safely managed (limited to a trust for which it is obvious from the holder's name that the money used is the security deposit);
  - (c) a deposit made with the counterparty to a cover deal (if a financial instruments business operator, etc. conducts a cover deal with a specified business operator, etc. (meaning another financial instruments business operator, etc. or a bank (excluding registered financial institutions) or a

- person equivalent to those persons under foreign laws and regulations, who is supervised by the competent authority in charge of the enforcement of laws and regulations of the foreign country; hereinafter the same applies in this item and Article 143-3), or conducts a cover deal on a financial instruments exchange market (including a foreign financial instruments market; the same applies in sub-item (c)), limited to cases of depositing money as a security deposit for the cover deal with the specified business operator, etc. or a person that operates the financial instruments exchange market); or
- (d) a deposit made with the counterparty to intermediary services, etc. (if a financial instruments business operator, etc. provides intermediation, brokerage, or agency services for an over-the-counter derivatives transaction other than currency-related over-the-counter derivatives transactions prescribed in Article 123, paragraph (4) and cryptoasset-related over-the-counter derivatives transactions prescribed in paragraph (15) of that Article (excluding transactions that fall under securities-related derivatives transactions; hereinafter the same applies in this item and the following paragraph) for a specified business operator, etc. as the counterparty to intermediary services, etc., limited to cases of depositing money with the specified business operator, etc. as a security deposit for the over-the-counter derivatives transactions).
- (2) The money referred to in the preceding paragraph is not to include the money that the customer has provided as security for an over-the-counter derivatives transactions (excluding those that fall under over-the-counter financial futures transactions, cryptoasset-related over-the-counter derivatives transactions or those corresponding to the transaction set forth in Article 116, paragraph (1), item (v), (a); the same applies in Article 144, paragraph (3)).
- (3) The term "currency-related derivatives transaction, etc." as used in paragraph (1), item (i) means any of the following acts:
- (i) a currency-related market derivatives transaction prescribed in Article 123, paragraph (3) or an act set forth in Article 2, paragraph (8), item (ii) or (iii) of the Act related to that transaction;
  - (ii) a currency-related over-the-counter derivatives transaction prescribed in Article 123, paragraph (4) (excluding a transaction that a corporation conducting business related to foreign trade or other foreign exchange transactions conducts for reducing the risk of loss due to fluctuations in the exchange rate related to assets or liabilities held by them and that is confirmed by a financial instruments business operator, etc. that it is conducted for reducing the risk of loss), or intermediary, brokerage (excluding brokerage for clearing of securities, etc.) or agency services for the currency-related over-the-counter derivatives transaction; or

- (iii) a currency-related foreign market derivatives transaction prescribed in Article 123, paragraph (5) or an act set forth in Article 2, paragraph (8), item (ii) or (iii) of the Act related to that transaction.
- (4) The term "cryptoasset-related derivatives transaction, etc." as used in paragraph (1), item (i) means any of the following acts:
  - (i) a cryptoasset-related market derivatives transaction prescribed in Article 123, paragraph (14) or an act set forth in Article 2, paragraph (8), item (ii) or (iii) of the Act related to that transaction;
  - (ii) a cryptoasset-related over-the-counter derivatives transaction prescribed in Article 123, paragraph (15) or intermediary, brokerage (excluding brokerage for clearing of securities, etc.), or agency services for that transaction; or
  - (iii) a cryptoasset-related foreign market derivatives transaction prescribed in Article 123, paragraph (16) or an act set forth in Article 2, paragraph (8), item (ii) or (iii) of the Act related to that transaction.

(Requirements for Segregated Customer Management Trust)

Article 143-2 (1) The contract related to a money trust prescribed in paragraph (1), item (i) of the preceding Article (hereinafter referred to as a "segregated customer management trust") must satisfy all of the following requirements:

- (i) a financial instruments business operator, etc. is to be the settlor, a trust company or a financial institution engaged in trust business is to be the trustee, and, a customer related to currency-related derivatives transaction, etc. (meaning a currency-related derivatives transaction, etc. prescribed in paragraph (3) of the preceding Article; the same applies in this Article) or cryptoasset-related derivatives transaction, etc. (meaning a cryptoasset-related derivatives transaction, etc. prescribed in paragraph (4) of the preceding Article; hereinafter the same applies in this Article) conducted by the financial instruments business operator, etc. is to be the beneficiary of the principal;
- (ii) beneficiary agents are to be appointed and at least one of those beneficiary agents is to be appointed from an attorney-at-law, legal professional corporation, certified public accountant, audit corporation, tax accountant, tax accountant corporation, or a person designated by the Commissioner of the Financial Services Agency (hereinafter referred to as "attorney-at-law, etc." in this paragraph);
- (iii) in creating multiple segregated customer management trusts, the same beneficiary agent is to be appointed for those multiple segregated customer management trusts;
- (iv) if a financial instruments business operator, etc. comes to meet any of the following requirements, only a beneficiary agent that is an attorney-at-law, etc. is to exercise the authority (excluding the case in which the beneficiary

agent approves another beneficiary agent to exercise the authority):

- (a) when registration referred to in Article 29 of the Act is revoked pursuant to the provisions of Article 52, paragraph (1) or (4), Article 53, paragraph (3), Article 54, or Article 57-6, paragraph (3) of the Act;
- (b) when registration referred to in Article 33-2 of the Act is revoked pursuant to the provisions of Article 52-2, paragraph (1) or (3), or Article 54 of the Act;
- (c) when a petition for commencement of bankruptcy proceedings, rehabilitation proceedings, reorganization proceedings, or special liquidation proceedings is filed (for a financial instruments business operator, etc. that is a foreign corporation, when they file a petition for commencement of bankruptcy proceedings, rehabilitation proceedings, reorganization proceedings, or special liquidation proceedings in Japan, or file the same kind of petition in a country where the head office is located based on the laws and regulations of that country);
- (d) when a financial instruments business operator, etc. discontinues financial instruments business, etc. (for a financial instruments business operator, etc. that is a foreign corporation, when financial instruments business, etc. at all business offices or offices established in Japan is discontinued; the same applies in sub-item (d)) or dissolves (for a financial instruments business operator, etc. that is a foreign corporation, when liquidation of business offices or offices established in Japan is commenced; the same applies in sub-item (d)), or gives a public notice of discontinuation or dissolution of financial instruments business, etc. under the provisions of Article 50-2, paragraph (6) of the Act;
- (e) when a financial instruments business operator is given an order for suspension of all or part of their business under the provisions of Article 52, paragraph (1) of the Act (limited to the case falling under item (viii) of that paragraph);
- (f) when the Prime Minister files a petition for commencement of reorganization proceedings under the provisions of Article 377, paragraph (1) of the Act on Special Measures for the Reorganization Proceedings of Financial Institutions, a petition for commencement of rehabilitation proceedings under the provisions of Article 446, paragraph (1) of that Act, or a petition for commencement of bankruptcy proceedings under the provisions of Article 490, paragraph (1) of that Act, with a court; or
- (g) when the Prime Minister receives a notice under the provisions of Article 379, Article 448, or Article 492 of the Act on Special Measures for the Reorganization Proceedings of Financial Institutions or other notices concerning special liquidation proceedings;
- (v) the method of investing trust property related to the segregated customer

management trust (excluding a money trust with a financial institution engaged in trust business which has an agreement on compensation for loss of principal) is to be a method of holding securities set forth in Article 141-2, paragraph (1), item (v), sub-item (a), 1. through 7. and beneficiary certificates of investment trusts set forth in Article 65, item (ii), sub-items (a) through (c) (limited to within the scope equivalent to one third of the required amount of segregated customer management trust prescribed in the following item) and the methods set forth in item (v), sub-items (b) through (e) of that paragraph;

- (vi) if the appraisal value of the principal of the trust property is less than the required amount of segregated customer management (meaning the sum of the individual amounts of segregated customer management (meaning the amount of the money or other security deposits prescribed in Article 43-3, paragraph (1) of the Act related to currency-related derivatives transaction, etc. or cryptoasset-related derivatives transaction, etc. required to be refunded to customers, calculated for each customer, in the case a financial instruments business operator, etc. comes to no longer conduct financial instruments business, etc. due to discontinuation of business or other reasons; the same applies in item (xiv) and paragraph (1) of the following Article); hereinafter the same applies in this paragraph and paragraph (1) of that Article), the money in an amount equivalent to the shortfall amount is to be added to the trust property by a financial instruments business operator, etc. within two business days counting from the day following the date when the shortfall occurs;
- (vii) a financial instruments business operator, etc. is to calculate the appraisal value of securities that is trust property based on their market value (excluding the segregated customer management trust that is a money trust with a financial institution engaged in trust business which has an agreement on compensation for loss of principal);
- (viii) if the segregated customer management trust is a money trust with a financial institution engaged in trust business which has an agreement on compensation for loss of principal, the appraisal value of the principal of the trust property is to be the amount of the principal of that money trust;
- (ix) in cases other than the following cases, all or part of the contract related to the segregated customer management trust may not be terminated:
  - (a) if the appraisal value of the principal of trust property exceeds the required amount of segregated customer management, all or part of the contract related to the segregated customer management trust is to be terminated to the extent of the excess amount; or
  - (b) if all or part of the contract related to the segregated customer management trust is to be terminated for the purpose of creating a trust as

- trust property related to another segregated customer management trust;
- (x) the trust property related to the cancellation of the contract related to the segregated customer management trust made in the case set forth in sub-item (a) or (b) of the preceding item is to be vested in the settlor;
  - (xi) if a financial instruments business operator etc. comes to fall under any of item (iv), sub-item (a) through (g), the financial instruments business operator, etc. may not give instructions on the investment of trust property, unless otherwise specifically permitted by a beneficiary agent that is an attorney-at-law, etc.;
  - (xii) if a beneficiary agent that is an attorney-at-law, etc. determines it to be necessary, the beneficial interest of customers is to be exercised collectively for all customers by the beneficiary agent;
  - (xiii) if the beneficial interest of customers has been exercised collectively by a beneficiary agent that is an attorney-at-law, etc., trust agreement related to the beneficial interest may be terminated;
  - (xiv) the amount paid to each customer when customers exercise the beneficial interest is determined to be the amount arrived by multiplying the realized amount of principal on the day of the exercise of the beneficial interest by the ratio of the individual amount of segregated customer management trust related to the customer to the required amount of segregated customer management on that date (if the amount exceeds the individual amount of segregated customer management, the individual amount of segregated customer management); and
  - (xv) if the realized amount of principal on the day when the customer exercises the beneficial interest exceeds the required amount of segregated customer management, the excess amount is to be vested in the settlor.
- (2) The amount of money and other security deposits referred to in item (vi) of the preceding paragraph is to include the amount of profit that would arise to the customer from settling currency-related derivatives transaction, etc. or cryptoasset-related derivatives transaction, etc. referred to in that item, and the amount of loss that the customer incurs from settling the currency-related derivatives transaction, etc. or the cryptoasset-related derivatives transaction, etc. may be deducted.
- (3) In calculating an individual amount of segregated customer management prescribed in paragraph (1), item (vi), if a financial instruments business operator, etc. is conducting currency-related derivatives transaction, etc. or cryptoasset-related derivatives transaction, etc. based on a written master agreement in which agreement on close-out netting was made with a customer, and if a close-out netting event occurs to the customer at the time of the calculation, and there is an appraisal value at the time the close-out netting event has occurred for a specified financial transaction being conducted based



on the master agreement (excluding the value related to the currency-related derivatives transaction, etc. or cryptoasset-related derivatives transaction, etc.), the amount of the appraisal value may be deducted to the extent that is found not to impede the protection of customers even if a currency-related derivatives transaction, etc. or a cryptoasset-related derivatives transaction, etc. is settled based on the master agreement.

- (4) The term "realized amount of principal" as used in paragraph (1), items (xiv) and (xv) means the amount that is obtained by realizing the trust property related to a segregated customer management trust (limited to the portion of the principal) (if the segregated customer management trust has compensation for principal losses, the amount of the principal).

(Calculation of Individual Amount of Segregated Customer Management)

Article 143-3 (1) If a financial instruments business operator, etc. manages money by the means of a segregated customer management trust, they must calculate the individual amount of segregated customer management and the required amount of segregated customer management every day.

- (2) If a financial instruments business operator, etc. manages money by the means set forth in Article 143, paragraph (1), item (ii), sub-items (c) and (d), they must periodically confirm the amount of the security deposit deposited with the specified business operator, etc.

(Separate Management of Securities)

Article 144 (1) If a financial instruments business operator, etc. manages security deposits or securities pursuant to the provisions of Article 43-3, paragraph (1) of the Act, and the security deposits or securities are securities, etc. (meaning property that are securities or properties other than money; hereinafter the same applies in this Article and the following Article), they must manage the securities, etc. separately from their own properties by the method specified in the following items in accordance with the category of the securities, etc. set forth in each of those items:

- (i) securities, etc. managed by a financial instruments business operator, etc. by taking custody themselves (excluding those retained by commingled custody; the same applies in the following item): a method of managing securities in which the place of custody of the securities, etc. which a financial instruments business operator, etc. is required to manage separately from their own property pursuant to the provisions of Article 43-3, paragraph (1) of the Act (hereinafter referred to as "customers' securities, etc." in this Article) is clearly distinguished from the place of the custody of their own securities, etc. or the securities, etc. other than the customers' securities, etc. (hereinafter referred to as "their own securities, etc." in this

- paragraph), and in a manner that is possible to immediately identify to which customer the customers' securities, etc. belong;
- (ii) securities, etc. managed by a financial instruments business operator, etc. by having a third party take custody: a method of managing securities in which a financial instruments business operator, etc. has the third party make a clear distinction between the place of the custody of the customers' securities, etc. and the place of the custody of their own securities, etc., and in a manner that is possible to immediately identify to which customer the customers' securities, etc. belongs;
  - (iii) securities, etc. managed by a financial instruments business operator, etc. by taking custody themselves (limited to those retained by commingled custody; the same applies in the following item): a method of managing the securities in which the place of custody of the customers' securities, etc. is clearly distinguished from the place of custody of their own securities, etc., and in a manner that is possible to immediately identify the share of each customer related to the customers' securities, etc. through their own books;
  - (iv) securities, etc. managed by a financial instruments business operator, etc. by having a third party take custody: a method of managing securities in which a financial instruments business operator, etc. has the third party take custody by separating their own account from the account for their customers or by other methods that is possible to immediately identify each share of customers related to the customers' securities, etc. through their books (if a financial instruments business operator, etc. has a foreign third party take custody and it is not possible for the third party to take custody of the securities by separating the share related to customers' securities, etc. and the share related to the own securities, etc., or it is found that there are particularly compelling reasons makes it impossible to have the third party take custody in a manner that is possible to immediately identify the shares related to customers' securities, etc., a method of having the third party take custody in a manner that is possible to immediately identify the share of each customer related to the customers' securities, etc. through their own books);
  - (v) electronically recorded transferable rights to be indicated on securities, etc. managed by a financial instruments business operator, etc. themselves: the method set forth in the following sub-items (a) and (b) (for the minimum level of electronically recorded transferable rights to be indicated on securities, etc. that are required to be managed by a method other than the method set forth in sub-item (b) in order to secure the convenience of the customers of financial instruments business (including registered financial institution business; hereinafter the same applies in this item and the following item) and accomplish smooth implementation of financial

instruments business in light of the situation of financial instruments business that they conduct, the method set forth in the following sub-item (a)):

- (a) a method of managing electronically recorded transferable rights to be indicated on securities, etc. that are customers' securities, etc. by clearly separating them from their own securities, etc., and, in a manner that is possible to immediately identify to which customer the electronically recorded transferable rights to be indicated on securities, etc. belong (including a manner in which it is possible to immediately identify the share of each customer related to the electronically recorded transferable rights to be indicated on securities, etc. that are customers' securities, etc. through their own books; the same applies in sub-item (a) of the following item); and
  - (b) a method of managing the information necessary for transferring the financial value that indicates electronically recorded transferable rights to be indicated on securities, etc. that are customers' securities, etc. by recording the information on electronic equipment that is not connected to the internet at all times, an electronic or magnetic recording medium, or other recording medium (including a document or any other object), or to manage the information by taking other equivalent technical security control measures;
- (vi) electronically recorded transferable rights to be indicated on securities, etc. that a financial instruments business operator, etc. has a third party manage: the method set forth in the following sub-items (a) and (b) (for the minimum level of electronically recorded transferable rights to be indicated on securities, etc. that are required to be managed by a method other than the method set forth in sub-item (b) in order to secure the convenience of customers of financial instruments business and achieving smooth implementation of financial instruments business in light of the situation of financial instruments business that they conduct, the method set forth in the following sub-item (a)):
- (a) a method of having the third party manage electronically recorded transferable rights to be indicated on securities, etc. that are customers' securities, etc. by clearly separating them from their own securities, etc., and, in a manner that is possible to immediately identify to which customer the electronically recorded transferable rights to be indicated on securities, etc. belongs; and
  - (b) a method reasonably found that the level of protection of customers is equivalent to the level of management conducted by the financial instruments business operator, etc. themselves concerning the preservation of electronically recorded transferable rights to be indicated on securities,

- etc. that are customers' securities, etc.;
- (vii) rights deemed to be securities pursuant to the provisions of Article 2, paragraph (2) of the Act (excluding those set forth in the preceding items): the method specified in the following sub-item (a) or (b) in accordance with the category of the cases set forth in the sub-item (a) or (b):
    - (a) when there are documents certifying that the rights related to the securities, etc. or other documents, which are necessary upon exercising the rights: managing the documents by deeming them to be securities, etc. and in accordance with the category of the securities set forth in items (i) through (iv); and
    - (b) in the cases other than the case set forth in sub-item (a): having a third party distinctly manage the rights related to the securities, etc. as e customers' securities, etc., and, in a manner that is possible to immediately identify the status of their management through their own books.
  - (2) Notwithstanding the provisions of the preceding paragraph, the securities, etc. that are co-owned by the financial instruments business operator, etc. and customers and that are not possible to manage in the manner specified by the provisions of that paragraph, the securities must be managed in a manner that is possible to immediately identify the share of each customer related to customers' securities, etc. through their own books.
  - (3) The securities, etc. referred to in the preceding two paragraphs are not to include the securities, etc. that the financial instruments business operator, etc. may consume under a contract (limited to securities that a financial instruments business operator, etc. possesses or has accepted as deposits from customers, in relation to over-the-counter derivatives transactions).

(Management of Money and Property Equivalent to the Value of Financial Instruments)

- Article 145 (1) A financial instruments business operator, etc. must manage the property prescribed in Article 43-3, paragraph (2) of the Act by excluding those set forth in Article 143 and the preceding Article, and in a manner that the value of the property does not exceed the sum of the following amounts;
- (i) money and securities, etc. owned by a financial instruments business operator, etc. (limited to those that are managed separately from other money and securities, etc. as money or securities related to derivative transactions, etc. (excluding the transactions which fall under the category of the transactions of securities-related derivatives, etc., commodity-related market derivatives transactions or brokerage, etc. for commodity-related market derivatives transactions; hereinafter the same applies in this paragraph));
  - (ii) securities, etc. deposited by a customer (limited to those managed

- separately from other securities, etc., as those related to derivative transactions, etc., and excluding those managed pursuant to the provisions of the preceding Article);
- (iii) a deposit or savings account at a bank, cooperative financial institution, or the Shoko Chukin Bank Limited (limited to that managed separately from other money as that related to derivative transactions, etc., and excluding that managed pursuant to the provisions of Article 143); or
  - (iv) a money trust created with a financial institution engaged in a trust business, which has an agreement on compensation for loss of principal, or a money trust created with a trust company or a financial institution engaged in a trust business, for which customer's assets are preserved by the trust agreement (limited to those managed separately from other trusts as those related to derivative transactions, etc., and excluding those managed pursuant to the provisions of Article 143).
- (2) The property referred to in the preceding paragraph and those set forth in the items of that paragraph, are not to include money provided as security by customers as prescribed in Article 143, paragraph (2) and securities, etc. that a financial instruments business operator, etc. may consume under a contract prescribed in paragraph (3) of the preceding Article.

(Written Consent When Customer's Securities are Provided as Collateral)

- Article 146 (1) A financial instruments business operator, etc. must obtain a written consent under the provisions of Article 43-4, paragraph (1) of the Act from a customer each time, in the case prescribed in Article 43-4, paragraph (1) of the Act.
- (2) Notwithstanding the provisions of the preceding paragraph, in the case prescribed in Article 140, paragraph (1), a financial instruments business operator, etc. may obtain a comprehensive written consent under the provisions of Article 43-4, paragraph (1) of the Act (limited to a consent that satisfies all of the following requirements) from a customer in advance, if all of the requirements set forth in the items of Article 140, paragraph (1) are satisfied:
- (i) the scope of securities to be provided as collateral has been fixed;
  - (ii) the financial instruments business operator, etc. confirms with the customer that they have obtained a written consent under the provisions of this paragraph, during the period after receiving the deposit of the securities referred to in the preceding item until providing them as collateral;
  - (iii) if the financial instruments business operator, etc. seeks to provide the securities that has received confirmation under the provisions of the preceding item as collateral based on the written consent obtained under the provisions of this paragraph, they are to deliver a document that states the

- type, issue, and number of shares or the total amount of the face value, of the securities they seek to provide as collateral, or provide the matters required to be stated in the document by electronic or magnetic means (excluding the means set forth in Article 56, paragraph (1), item (i), (d)), to the customer; and
- (iv) the customer may revoke the written consent under the provisions of this paragraph at any time.
- (3) The written consent under the provisions of Article 43-4, paragraph (1) of the Act must be given using the document specified in the following items in accordance with the category of the cases set forth in each of those items:
- (i) when securities are to be provided as collateral, and a comprehensive written consent is to be obtained pursuant to the provisions of the preceding paragraph: a comprehensive written consent on provision of collateral stating the following matters:
- (a) the consent is a comprehensive consent under the provisions of the preceding paragraph, and its content;
- (b) distinction of whether the securities are to be independently provided as collateral, or to be provided together with other customers' securities;
- (c) the name and address of the customer;
- (d) the date of the consent; and
- (e) the scope of the securities;
- (ii) securities are to be provided as collateral in the cases other than those set forth in the preceding item: a written consent on the provision of collateral stating the following matters:
- (a) distinction of whether the securities are to be independently provided, or to be provided together with other customers' securities;
- (b) the name and address of the customer;
- (c) the date of the consent;
- (d) the cause for possessing the securities or receiving deposit of the securities; and
- (e) the types and issue of securities, and the number of shares, or the total amount of their face value.
- (iii) when the securities are lent to other persons: a written consent for a loan stating the matters set forth in sub-items (b) through (e) of the preceding item.
- (4) The provisions of paragraph (1) and the preceding paragraph (excluding item (i)) apply mutatis mutandis to the cases prescribed in Article 43-4, paragraph (2) of the Act. In such a case, the term "securities" in the preceding paragraph is deemed to be replaced with "commodities (including instruments or certificates issued for the deposited commodities)"; and the phrase "the types and issue of securities, and the number of shares, or the total amount of their

face value" in item (ii), sub-item (e) of that paragraph is deemed to be replaced with "the types and quantity of the commodities".

#### **Subsection 4 Special Provisions on Electronic Public Offering Services**

Article 146-2 (1) A financial instruments business operator, etc. must ensure that the matters provided for in paragraph (3) are clearly and accurately displayed on the screen of a computer used by the counterparty to the electronic public offering services in an easily visible manner for that counterparty.

(2) Among the matters prescribed in the following paragraph, the letters or numbers representing the matters set forth in Article 37-3, paragraph (1), item (v) of the Act, the matters set forth in Article 82, items (iii) and (v), and Article 83, paragraph (1), item (vi) (limited to the part related to item (g)) are to be indicated in a size that does not substantially differ from the size of the largest letters or numbers representing matters other than those matters.

(3) The matters specified by Cabinet Office Order as prescribed in Article 43-5 of the Act are the summary of the matters set forth in Article 37-3, paragraph (1), item (iv), the matters set forth in item (v) of that paragraph, the matters set forth in Article 82, items (iii) and (v), and Article 83, paragraph (1), items (iii) through (vii) .

(4) The means specified by Cabinet Office Order as prescribed in Article 43-5 of the Act are the means in which the content of information recorded in the files stored on the computer used by a financial instruments business operator, etc. is made available via telecommunications line to the counterparty to electronic public offering services.

#### **Subsection 5 Special Provisions on Cryptoasset-Related Business**

(Cryptoasset-Related Acts)

Article 146-3 (1) The acts of financial instruments transactions specified by Cabinet Office Order as prescribed in Article 43-6, paragraph (1) of the Act are the following acts:

(i) the following acts for derivatives transactions prescribed in Article 29-2, paragraph (1), item (ix) of the Act:

(a) the acts set forth in Article 2, paragraph (8), items (i) through (iv) of the Act; and

(b) the acts set forth in Article 2, paragraph (8), item (xi), item (xii) (limited to the part related to sub-section (b)), or item (xiii) of the Act; and

(ii) the following acts related to derivative transactions for cryptoasset-related securities, or cryptoasset-related securities or financial indexes (limited to

the prices and interest rates, etc. of cryptoasset-related securities, and figures calculated based on them):

- (a) the acts set forth in Article 2, paragraph (8), items (i) through (iv) or items (vii) through (x) of the Act concerning cryptoasset-related securities or the acts set forth in items (i) through (iv) of that paragraph concerning the derivative transaction;
  - (b) the acts set forth in Article 2, paragraph (8), item (xi), item (xii) (limited to the part related to sub-item (b)), or item (xiii) of the Act; and
  - (c) the acts set forth in Article 2, paragraph (8), item (xvi) or (xvii) of the Act or Article 1-12, item (ii) of the Order concerning cryptoasset-related securities.
- (2) The term "cryptoasset-related securities" as used in item (ii) of the preceding paragraph means the following things:
- (i) among beneficial interests, etc. for a trust, trust property related to the beneficial interest, etc. for a trust which is invested mainly in cryptoassets or the rights related to derivative transactions prescribed in Article 29-2, paragraph (1), item (ix) of the Act; and
  - (ii) among equity interests in the business subject to investment, business subject to investment related to the equity interest in the business subject to investment is a business of investing mainly in cryptoassets or the rights related to derivative transactions prescribed in Article 29-2, paragraph (1), item (ix) of the Act.
- (3) Among beneficial interests, etc. for a trust, for trust property that is invested mainly in the things set forth in the items of the preceding paragraph (including investment in the things set forth in the items of that paragraph and in cryptoassets or the rights related to derivative transactions prescribed in Article 29-2, paragraph (1), item (ix) of the Act; hereinafter the same applies in this paragraph) is deemed to be the trust property set forth in item (i) of the preceding paragraph, and among the equity interests in business subject to investment, for business subject to investment related to the equity interest in business subject to investment which is a business of investing mainly in the things set forth in the items of that paragraph is deemed to be the business subject to investment set forth in item (ii) of that paragraph, and the provisions of the preceding paragraph and this paragraph apply.

#### (Explanation on Nature of Cryptoassets)

Article 146-4 (1) When a financial instruments business operator, etc. conducts a cryptoasset-related act (meaning the cryptoasset-related act prescribed in Article 43-6, paragraph (1) of the Act) with a customer as the other party or on behalf of a customer (excluding financial instruments business operators, etc. (limited to those conducting acts of financial instruments transactions



concerning cryptoassets on a regular basis) and cryptoasset exchange service providers, etc.; hereinafter the same applies in this Article), based on the provisions of Article 43-6, paragraph (1) of the Act, the financial instruments business operator, etc. must provide an explanation on the nature of cryptoassets to the customer by delivering a document or by other appropriate methods, in advance.

(2) When providing an explanation prescribed in the provisions of the preceding paragraph, a financial instruments business operator, etc. is to explain the following matters:

(i) the fact that cryptoassets are not Japanese currency or foreign currency;

(ii) when there is a risk of an accrual of loss directly caused by fluctuations in the value of cryptoassets, that fact and its reason;

(iii) the fact that cryptoassets may be used for paying consideration only with the consent of the person who is paid consideration;

(iv) the outline and the characteristics of cryptoassets for the cryptoasset-related act (if the value of the cryptoassets has not been guaranteed by a specific person, that fact, or if the value has been guaranteed by a specific person, the name and trade name of that person and the content of the guarantee); and

(v) other matters concerning the nature of cryptoassets about which a financial instruments business operator, etc. should alert the customers.

(3) If a financial instruments business operator, etc. conducts the cryptoasset-related act referred to in paragraph (1) at its business office or office and provides a customer with an explanation prescribed in that paragraph, the financial instruments business operator, etc. is to do so by posting the matters set forth in the items of the preceding paragraph at the service counter in a manner easily seen by the customer.

(Matters for which Misleading Representations are Prohibited)

Article 146-5 The matters specified by Cabinet Office Order as prescribed in Article 43-6, paragraph (2) of the Act are the matters set forth in Article 78, items (v) through (vii) and item (xiii), sub-items (b) through (e).

## **Subsection 6 Preventive Measures against Adverse Effects**

(Prohibited Acts When Conducting Two or More Types of Businesses)

Article 147 The acts specified by Cabinet Office Order as prescribed in Article 44, item (iii) of the Act are as follows:

(i) in order to complete purchase and sale or other transactions of securities conducted by a customer based on advice related to an investment advisory business, or purchase and sale or other transactions of securities conducted

- as investment of investment property concerning an investment management business, or conduct a reversing trade, an act of soliciting a customer other than the customer, or a customer other than the right holder of the investment property to purchase and sell securities or conduct other transactions of securities, without explaining the reasons for this;
- (ii) an act of giving advice for the benefit of customers or of making an investment for the benefit of right holders, concerning investment advisory business or investment management business, based on undisclosed information (limited to information on the issuers of securities or on customers of businesses other than investment advisory business or investment management business) (excluding acts to be conducted with the consent of the issuer of securities or customers related to the undisclosed information (hereinafter referred to as the "issuer, etc."));
  - (iii) if a financial instruments business operator, etc. is the lead managing underwriter related to underwriting of securities (meaning a person that, in concluding a wholesale underwriting contract, conducts deliberations with the issuer or holder of the securities related to the wholesale underwriting contract in order to finalize the content of the wholesale underwriting contract (hereinafter referred to as the "managing underwriter" in this item), among the total amount of the issue price of the securities or the price of secondary distribution of the securities or solicitation for selling, etc. only for professional investors (if the wholesale underwriting contract is a contract set forth in Article 15, item (iii) of the Order, including the sum of the amount required to be paid when exercising the share option prescribed in that item), the amount of the part related to the underwriting (hereinafter referred to as the "underwriting amount" in this item) is not smaller than that of another managing underwriter, or the fees, remuneration, or any other consideration to be received by the managing underwriter is not less than that to be received by the other managing underwriter; hereinafter the same applies in this Subsection), an act of giving advice for the purpose of creating a manipulative quotation not reflecting the actual market status concerning investment advisory business they conduct, or making an investment for the purpose of creating a manipulative quotation not reflecting the actual market status concerning investment management business they conduct, in order to influence the conditions of public offering or secondary distribution of those securities or the conditions of solicitation for acquisition only for professional investors or the solicitation for selling, etc. only for professional investors;
  - (iv) if a financial instruments business operator, etc. conducts the underwriting of securities, etc., and the application amount for the acquisition or purchase of the securities (if conducting the act set forth in Article 2, paragraph (6),

item (iii) of the Act, the exercise of the share options by the person that has acquired the share options prescribed in that item) is expected to be less than the amount prearranged by the financial instruments business operator, etc., to give advice on the acquisition or purchase of the securities for the investment advisory business they are conducting (if they are performing an act set forth in Article 2, paragraph (6), item (iii), securities acquired by the exercise of the share options; hereinafter the same applies in this item), or to make investments for the acquisition or purchase of the securities for the investment management business they are conducting.

(Exception to Prohibition on Financial Instruments Business Operators to Become Entrusted with Purchase and Sale of Securities on Condition of Granting Credit)

Article 148 The act specified by Cabinet Office Order as prescribed in Article 44-2, paragraph (1), item (i) of the Act is the act of becoming entrusted, etc. with the purchase and sale of securities on the condition that credit is granted to the customer, which satisfies all of the following requirements:

- (i) an act of becoming entrusted, etc. with purchase and sale of securities from an individual that has presented an identification card, etc. (meaning an identification card or other objects, or symbols such as numbers and marks; the same applies in Article 149, item (i), sub-item (a), Article 149-2, item (i), sub-item (a), Article 150, item (i), sub-item (a), and Article 274, item (i)), has notified the content of the identification card, etc., in which the individual makes a lump-sum payment of the amount equivalent to the consideration for the securities within a period that is less than two months and the amount of payment is delivered to the financial instruments business operator (limited to a person that conducts securities, etc. management business; the same applies in item (iii));
- (ii) the credit to be granted to the same person is not to exceed 100,000 yen;
- (iii) purchase and sale of the securities is conducted under a cumulative investment contract (meaning a contract in which a financial instruments business operator receives money on deposit from a customer, and continuously sells securities to the customer on dates determined in advance by paying the money as consideration, which satisfies all of the following requirements):
  - (a) the contract provides for the types of the securities and the method for appropriating the money on deposit for the purchase, as a method of purchasing securities;
  - (b) the contract provides that the fruits derived from the money paid or securities deposited by customers, and the money which the financial instruments business operator keeps custody derived from accepting

redemption money are to be considered as cumulative investment deposit which is to be managed separately from other money on deposit, as a method for managing money on deposit;

- (c) if the securities are purchased jointly with another customer or a financial instruments business operator, the contract provides that when the code and number of the securities purchased by the customer are identified, the fact that the customer has sole ownership of those securities will be established;
- (d) the contract provides that the deposited securities (limited to those co-owned by a financial instruments business operator and a customer) are to be managed separately from other securities, as a method for managing the securities; and
- (e) the contract may be cancelled when requested by a customer.

(Prohibited Acts Related to Other Businesses of Financial Instruments Business Operators)

Article 149 The acts specified by Cabinet Office Order as prescribed in Article 44-2, paragraph (1), item (iii) of the Act are as follows:

- (i) to conclude a financial instruments transaction contract or solicit for its conclusion (excluding acts that are conducted through the act set forth in Article 117, paragraph (1), item (iii), acts that satisfy all of the requirements set forth in the items of the preceding Article, and acts that satisfy all of the following requirements), on condition of providing agency or intermediary services for concluding a contract that provides for lending of funds or discount of negotiable instruments, or on condition of granting credit (excluding lending of money or securities made incidentally with margin transactions prescribed in Article 156-24, paragraph (1) of the Act; hereinafter the same applies in this item);
  - (a) the act is to conclude a contract for financial instruments transactions with an individual that has presented an identification card, etc. or has notified the content of the identification card, etc. or solicit for its conclusion, in which the individual makes a lump-sum payment of the amount equivalent to the obligations under the financial instruments transaction contract within a period that is less than two months and the amount of payment is to be delivered to a financial instruments business operator (limited to a person that conducts securities, etc. management business or act of managing specified securities, etc.); or
  - (b) the credit to be granted to the same person is not to exceed 100,000 yen;
  - (c) the conclusion of the financial instruments transaction contract or its solicitation is related to electronic-based application type electronic public offering services that target any of the following securities or rights:

1. securities set forth in Article 2, paragraph (1), item (ix) of the Act (limited to those that are not listed on a financial instruments exchange, and excluding those set forth in Article 15-10-2, paragraph (1), item (i) of the Order);
  2. rights set forth in Article 2, paragraph (2), item (v) or (vi) of the Act which are deemed to be securities pursuant to the provisions of that paragraph (limited to those set forth in Article 3, item (iii) of the Act or those that are not listed on a financial instruments exchange, and excluding those set forth in Article 15-10-2, paragraph (1), item (ii) of the Order);
- (ii) an act by an officer or employee engaged in finance instruments business of receiving undisclosed finance, etc. information of the customer that is an issuer of securities from an officer or employee engaged in financial institution agency services (excluding an act conducted in the following cases):
- (a) if undisclosed finance, etc. information is provided with a prior written consent by the customer;
  - (b) if it is found necessary to receive undisclosed finance, etc. information from an officer or employee engaged in financial institution agency services, in order to comply with laws and regulations related to financial instruments business; or
  - (c) if undisclosed finance, etc. information is provided to an officer or employee supervising the operations of an organization in charge of conducting financial instruments business.

(Exemption from Prohibition on Registered Financial Institutions to Become Entrusted with Purchase and Sale of Securities Subject to Granting Credit)

Article 149-2 The act specified by Cabinet Office Order as prescribed in Article 44-2, paragraph (2), item (i) of the Act is the act of becoming entrusted, etc. with purchase and sale of securities on condition that credit is granted to the customer, which satisfies all of the following requirements:

- (i) the act falls under either of the following cases:
  - (a) an act of becoming entrusted, etc. with purchase and sale of securities from an individual that has presented an identification card or has notified the content of an identification card, etc., in which the individual makes a lump-sum payment of the amount equivalent to the consideration for those securities within a period that is less than two months, and the amount of payment is to be delivered to a registered financial institution (limited to a person that conducts securities, etc. management business; hereinafter the same applies in this Article and Article 150, item (i), (a)); or
  - (b) an act of becoming entrusted, etc. with purchase and sale of securities

from an individual that concludes a contract with a registered financial institution providing the acceptance of a bank or postal savings account, in which all or part of the amount equivalent to the consideration for the securities is lent (limited to a loan for which repayment is to be made within one month) to the individual based on a contract on making loans ancillary to that contract;

- (ii) the credit to be granted to the same person is not to exceed 100,000 yen;
- (iii) purchase and sale of the securities is conducted under a cumulative investment contract (meaning a contract in which a registered financial institution receives money on deposit from a customer and continuously sells securities to that customer on dates determined in advance by paying the money as consideration, which satisfies all of the following requirements):
  - (a) the contract provides for the types of the securities and the method for appropriating the money on deposit for the purchase, as a method of purchasing the securities;
  - (b) the contract provides that the fruits derived from the money paid or securities deposited by a customer, and the money that a registered financial institution keeps custody accrued from accepting redemption money are considered to be cumulative investment deposit, for which accounting is managed separately from other money on deposit, as a method of managing money on deposit;
  - (c) if securities are purchased jointly with another customer or a registered financial institution, the contract provides that when the code and number of securities purchased by the customer are identified, the fact that the customer acquires sole ownership of those securities is to be established;
  - (d) the contract provides that the deposited securities (limited to those co-owned by a registered financial institution and a customer) are to be managed separately from other securities, as a method of managing securities; and
  - (e) the contract is to be canceled when requested by a customer.

(Prohibited Acts Related to Other Businesses of Registered Financial Institutions)

Article 150 The acts specified by Cabinet Office Order as prescribed in Article 44-2, paragraph (2), item (iii) of the Act are as follows:

- (i) an act of concluding a financial instruments transaction contract or soliciting for its conclusion (excluding acts that are conducted through the act set forth in Article 117, paragraph (1), item (iii), acts that satisfy all of the requirements set forth in the items of the preceding Article, and acts that satisfy all of the requirements set forth in the following items) on condition of providing agency or intermediary services for the conclusion of a contract

- for lending funds or for discount of negotiable instruments, or as a condition for granting credit;
- (a) an act of concluding a financial instruments transaction contract with an individual that has presented an identification card, etc. or has notified the content of an identification card, etc., or soliciting for its conclusion, in which the individual makes a lump-sum payment of the amount equivalent to the obligations under the financial instruments transaction contract within a period that is less than two months, and the amount of payment is to be delivered to a registered financial institution; or
  - (b) the credit to be granted to the same person is not to exceed 100,000 yen;
  - (c) the conclusion of a financial instruments transaction contract or its solicitation is related to electronic-based application type electronic public offering services that target any of the following securities or rights;
    - 1. the securities set forth in Article 2, paragraph (1), item (ix) of the Act (limited to those that are not listed on a financial instruments exchange, and excluding those set forth in Article 15-10-2, paragraph (1), item (i) of the Order);
    - 2. the rights set forth in Article 2, paragraph (2), item (v) or (vi) of the Act which are deemed to be securities pursuant to the provisions of that paragraph (limited to those set forth in Article 3, item (iii) of the Act or those that are not listed on a financial instruments exchange, and excluding those set forth in Article 15-10-2, paragraph (1), item (ii) of the Order );
  - (ii) an act of concluding a financial instruments transaction contract or soliciting for its conclusion (excluding acts that are conducted through the act set forth in Article 117, paragraph (1), item (iii), acts that satisfy all of the requirements set forth in the items of the preceding Article, and acts that satisfy all of the requirements set forth in sub-items (a) through (c) of the preceding item), on condition that agency or intermediary services for concluding a contract which provides for loan of funds or for discount of negotiable instruments, or grant of credit;
  - (iii) beyond what is set forth in the preceding two items, an act of concluding a financial instruments transaction contract or soliciting for its conclusion by unjustly taking advantage of one's dominant trading position;
  - (iv) in the following cases, an act of providing intermediary services for purchase and sale of securities (if an entrusting financial instruments business operator that will be an underwriter of the securities is to perform the acts set forth in Article 2, paragraph (6), item (iii) of the Act, including securities to be acquired by the exercise of the share option prescribed in that item; hereinafter the same applies in this item) (limited to a service related to the case in which securities are to be sold in the period between

the day when the entrusting financial instruments business operator becomes an underwriter and the day on which six months have passed), handling public offering or secondary distribution of securities, handling private placement of securities, or handling solicitation for selling, etc. only for professional investors, without explaining the circumstances to customers:

- (a) if a person that owes an obligation related to borrowings to the person themselves issues the securities, and the person knows that the proceeds from those securities are to be appropriated for performance of the obligation;
- (b) if a person whose main lender is the person themselves issues the securities (limited to the case in which the disclosure documents for offering prescribed in Article 172-2, paragraph (3) of the Act or the specified information on securities, etc. provided or publicized pursuant to the provisions of Article 27-31, paragraph (2) or (4) of the Act states or records the fact that the lender is the person themselves);
- (v) an act of an officer (if the officer is a corporation, including members that are to perform the corporation's duties; hereinafter the same applies in this item) or employee engaged in financial instruments intermediary services to receive from an officer or employee engaged in finance business or financial institution agency services undisclosed finance, etc. information of the customer that is the issuer of the securities, or provides the undisclosed finance, etc. information to an officer or employee engaged in finance business or financial institution agency services (excluding an act conducted in the following cases):
  - (a) if undisclosed finance, etc. information is provided with a prior written consent by the customer (including the customer's written consent referred to in Article 123, paragraph (1), item (xxiv));
  - (b) if it is found necessary to receive undisclosed finance, etc. information from an officer or employee engaged in finance business or financial institution agency services in order to comply with laws and regulations related to a registered financial institution business; or
  - (c) if undisclosed finance, etc. information is provided to an officer or employee that supervises the operation of the organ conducting financial instruments intermediary services.

Articles 151 and 152 Deleted

(Restrictions of Acts Parent Corporations or Subsidiary Corporations of Financial Instruments Business Operators Are Involved In)

Article 153 (1) The acts specified by Cabinet Office Order as prescribed in



Article 44-3, paragraph (1), item (iv) of the Act are as follows:

- (i) an act to conduct purchase and sale or other transactions of assets with the parent corporation, etc. or the subsidiary corporation, etc. of the financial instruments business operator under conditions that substantially differ from those for ordinary transactions;
- (ii) knowing that the financial instruments business operator's parent corporation, etc. or subsidiary corporation, etc. is conducting purchase and sale or other transactions of assets with a customer under conditions more favorable than those for ordinary transactions, an act of concluding a financial instruments transaction contract with the customer on condition of concluding a financial instruments transaction contract with the financial instruments business operator;
- (iii) the following acts in the case the financial instruments business operator is to become an underwriter of the securities (meaning the securities prescribed in Article 117, paragraph (1), item (xxxi); hereinafter the same applies in this item) issued by a person owing an obligation related to borrowings to the parent corporation, etc. or subsidiary corporation, etc. of the financial instruments business operator, and knows that the proceeds from those securities (if the financial instruments business operator performs the acts set forth in Article 2, paragraph (6), item (iii) of the Act, including securities acquired by the exercise of the share option prescribed in that item; hereinafter the same applies in this item) are to be appropriated for the performance of the obligation:
  - (a) to sell the securities to a customer, without explaining the circumstances to the customer;
  - (b) to have a registered financial institution, financial instruments intermediary service provider, or financial service intermediary which entrusts financial instruments intermediary services conduct any of the following acts, without giving an explanation of that fact to the registered financial institution, financial instruments intermediary service provider, or financial service intermediary (excluding the case in which the financial instruments business operator has promised to repurchase those securities):
    1. an intermediary service for purchase and sale of the securities (limited to a service in a case the securities are to be sold within the period between the day when the financial instruments business operator becomes the underwriter and the day on which six months have passed from that time); or
    2. handling of public offering or secondary distribution of the securities, handling private placement of the securities, or handling solicitation for selling, etc. only for professional investors concerning the securities.

- (iv) to become the lead managing underwriter for underwriting securities (excluding the following securities) issued by the parent corporation, etc. or subsidiary corporation, etc. of the financial instruments business operator:
- (a) share certificates that have been continuously listed on a financial instruments exchange for a period of six months or more (among stock companies that have been incorporated through a consolidation-type merger or share transfer (limited to the case in which all of the companies extinguished through the consolidation-type merger or that made the share transfer are stock companies, and, the share certificates issued by those companies had been listed in the financial instruments exchange before they were delisted due to the consolidation-type merger or share transfer) those for which the share certificates issued by them have been continuously listed on a financial instruments exchange since they were listed due to the consolidation-type merger or share transfer, and, the listed period is less than six months and the total of the listed period and the shortest period for which the share certificates delisted due to the consolidation-type merger or share transfer had been continuously listed on a financial instruments exchange until they were delisted is six months or more), or investment securities that have been continuously listed on a financial instruments exchange for a period of six months or more (among the investment corporations incorporated through consolidation-type merger (limited to the case in which the investment securities issued by all of the investment corporations extinguished through the consolidation-type merger had been listed in a financial instruments exchange before they were delisted due to the consolidation-type merger) those for which the investment securities issued by them have been continuously listed on a financial instruments exchange since they were listed due to the consolidation-type merger, and, the listed period is less than six months, and the total of the listed period and the shortest of the periods for which the investment securities delisted due to the consolidation-type merger had been continuously listed on a financial instruments exchange until they were delisted is six months or more), which satisfy any of the following requirements:
1. when the listing date (meaning the day when share certificates has come to fall under share certificates or investment securities listed on a financial instruments exchange; the same applies in 2. and 3.) is on the day or before the day three years and six months before the issue date (meaning the day when the securities related to the underwriting of the securities are issued; the same applies in 2., 3., and (c), 3.), and for the issued share certificates or issued investment securities of the parent corporation, etc. or the subsidiary corporation, etc., the amount

arrived at by dividing the sum of the purchase and sale amount in a financial instruments exchange market (simply referred to as "purchase and sale amount" in 2. and 3.) for three years before any of the day that is six months before the issue date (referred to as "calculation base date" in the following sub-items (a) and (c)) by three is ten billion yen or more, and, the amount arrived at by dividing the total market capitalization (meaning the total market value in a financial instruments exchange market; hereinafter the same applies in 1. and 2.) on the calculation base date, the corresponding day to the calculation base date in the year before the year that includes the calculation base date (referred to as the "calculation base year" in 2. and 3.), and the day corresponding to the calculation base date in the year two years before the calculation base year by three is ten billion yen or more;

2. when the listing date is on a day after the day three years and six months before the issue date and a day that is on or before the day two years and six months before that date, the amount arrived at by dividing the sum of the purchase and sale amount of the issued share certificates or issued investment securities of the parent corporation, etc. or the subsidiary corporation, etc. for the two years before the calculation base date by two is ten billion yen or more, and, the amount arrived at by dividing the total market capitalization on the calculation base date and the corresponding day to the calculation base date in the year before the calculation base year by two is ten billion yen or more; or
  3. when the listing date is on a day after the day two years and six months before the issue date, the purchase and sale amount of the issued share certificates or issued investment securities of the parent corporation, etc. or the subsidiary corporation, etc. for one year before the calculation base date is ten billion yen or more, and, the market capitalization on the calculation base date is ten billion yen or more;
- (b) securities that are share option certificates or investment equity subscription rights certificates, and share certificates or investment equity subscription rights certificates that are acquired or underwritten by the exercise of the share option or investment equity subscription rights fall under sub-item (a);
- (c) securities that are corporate bond certificates with share options (limited to those for which the share certificates to be acquired or underwritten by the exercise of share options fall under sub-item (a)) or corporate bond certificates (excluding corporate bond certificates with share options; hereinafter the same applies in the following sub-item (c)), or investment

corporation bond certificates, and the issuer satisfies all of the following requirements:

1. for corporate bond certificates or investment corporation bond certificates that the issuer issued or delivered by submitting security registration statements or shelf registration supplements (meaning the shelf registration supplements prescribed in Article 23-8, paragraph (1) of the Act; the same applies in 2. and 3.) related to public offering or secondary distributions in Japan (limited to corporate bond certificates or investment corporation bond certificates that has been continuously listed on a financial instruments exchange for six months or more or those for which the purchase and sale price or the quotation price has been continuously disclosed by an authorized financial instruments firms association for six months or more; the same applies in 2. and 3.), the total amount of the trading volume at a financial instruments exchange market for one year before the calculation base date is 10 billion yen or more, or an authorized financial instruments firms association has disclosed the fact that the total amount of the trading volume for one year before the calculation base date is 10 billion yen or more;
  2. the total face value on the calculation base date of corporate bond certificates or investment corporation bonds issued or delivered by the issuer by submitting securities registration statements or shelf registration supplements related to public offering or secondary distribution in Japan or the total amount of book-entry transfer corporate bonds (meaning the book-entry transfer corporate bonds prescribed in Article 66 of the Act on Book-Entry Transfer of Corporate Bonds and Shares; the same applies in 3.) or book-entry transfer investment corporation bonds (meaning the book-entry transfer investment corporation bonds prescribed in Article 116 of that Act; the same applies in 3.) is 25 billion yen or more; and
  3. the total face value of corporate bond certificates or investment corporation bond certificates issued or delivered by the issuer by submitting securities registration statements or shelf registration supplements related to public offering or secondary distribution for five years before the issue date, or the total amount of book-entry transfer corporation bonds or book-entry transfer investment corporation bonds is 10 billion yen or more;
- (d) share certificates, etc. (meaning share certificates, share option certificates, corporate bond certificates, investment securities, certificates of investment equity subscription rights, or investment corporation bond certificates) for which a financial instruments business operator that

satisfies all of the following requirements is appropriately involved in the decision of the issue price (including the amount to be paid upon exercising share options and the issue price of the share certificates when issuing share certificates by exercising share options, for share certificates; the amount to be paid upon exercising investment equity subscription rights and the issue price of the investment securities when issuing investment securities by exercising the investment equity subscription rights, for certificates of investment equity subscription rights; the interest rate, the issue price of share options, the amount to be paid upon exercising share options, and the issue price of the share certificates when issuing share certificates by exercising share options, for corporate bond certificates with share options; the interest rate for bonds (excluding corporate bond certificates with share options)) or investment corporation bond certificates related to the underwriting as a managing underwriter (meaning a managing underwriter prescribed in Article 147, item (iii)) (excluding those that fall under sub-items (a) through (c)):

1. they have obtained the registration referred to in Article 29 of the Act for conducting business related to the acts set forth in Article 28, paragraph (1), item (iii), (a) of the Act;
2. they have sufficient experience concerning business related to the underwriting of securities;
3. they are not the parent corporation, etc. or the subsidiary corporation, etc. of the lead managing underwriter or the issuer of the share certificates, etc. (hereinafter referred to as the "lead managing underwriter, etc." in sub-item (d));
4. they do not hold five percent or more of subject voting rights held by all the shareholders, etc. in the lead managing underwriter, etc., or its parent corporation, etc. or subsidiary corporation, etc. (meaning subject voting rights prescribed in Article 29-4, paragraph (2) of the Act and including those which are deemed to be held pursuant to the provisions of paragraph (5) of that Article; the same applies in 5.);
5. the lead managing underwriter, etc., or its parent corporation, etc. or subsidiary corporation, etc. does not hold five percent or more of voting rights held by all of its shareholders, etc.;
6. the following persons do not account for a majority of directors and executive officers of the lead managing underwriter, etc. (including board members, auditors and other persons equivalent to them; the same applies in 6. and 7.), and directors and executive officers with the authority to act as the representative of the lead managing underwriter, etc.:
  - i. its officers (if an officer is a corporation, including members that are to

- perform the corporation's duties; hereinafter the same applies in 6.) and the main shareholders;
  - ii. relatives of the persons set forth in i. (limited to the spouse, and a relative by blood and by affinity within the second degree of kinship);
  - iii. when the lead managing underwriter themselves or a person set forth in i. and ii. holds voting rights in other companies, etc. (meaning a company, etc. prescribed in Article 15-16, paragraph (3) of the Order) exceeding fifty percent of voting rights held by all shareholders, etc., that other company, etc. and its officers; and
  - iv. persons that were formerly its officers (limited to those for whom two years have not passed from the day on which they ceased to be officers) and employees; and
7. the majority of its directors and executive officers, and directors and executive officers with the authority to act as the representative of the company do not account for the persons set forth in 6., i. through iv. of the lead managing underwriter, etc.;
- (v) in the period between the day when a financial instruments business operator becomes an underwriter of securities and the day on which six months have passed, knowing that their parent corporation, etc. or subsidiary corporation, etc. has extended a loan or granted other credits to the customer for the purchase price of those securities (if the financial instruments business operator performs the acts set forth in Article 2, paragraph (6), item (iii) of the Act, securities that are acquired by exercising the share options prescribed in that item; hereinafter the same applies in this item), the financial instruments business operator sells those securities to the customer;
- (vi) in the period between the day when a financial instruments business operator becomes an underwriter of securities (excluding national government bond securities and municipal bond securities, and corporate bond certificates or other bond certificates for which the government guarantees redemption of principal and interest payments) and the day on which six months have passed, the financial instruments business operator sells those securities (if the financial instruments business operator performs the acts set forth in Article 2, paragraph (6), item (iii) of the Act, securities that are acquired by exercising the share options prescribed in that item; hereinafter the same applies in this item) to their parent corporation, etc. or subsidiary corporation, etc. (excluding selling securities in the following cases):
- (a) to have a trust company that is the financial instruments business operator's parent corporation, etc. or subsidiary corporation, etc. or a financial institution engaged in trust business acquire the securities by

- using trust property under the money trust for which the investment method is specified (excluding cases in which the settlor of the money trust falls under the financial instruments business operator's parent corporation, etc. or subsidiary corporation, etc.);
- (b) the parent corporation, etc. or subsidiary corporation, etc. of the financial instruments business operator receives an order for purchase and sale of the securities from a customer of financial instruments business or registered financial institution business (excluding the case in which the customer falls under the parent corporation, etc. or subsidiary corporation, etc.), and the financial instruments business operator has the parent corporation, etc. or subsidiary corporation, etc. acquire the securities in order to close the purchase and sale with the parent corporation, etc. or subsidiary corporation, etc. as the counterparty;
- (c) in conducting public offering or secondary distribution, or solicitation for acquisition only for professional investors or solicitation for selling, etc. only for professional investors, of those securities, if investigation on the situation of investors' demands for the securities is conducted for public offering or secondary distribution, or solicitation for acquisition only for professional investors or solicitation for selling, etc. only for professional investors pursuant to the provisions of the rules of a financial instruments exchange or an authorized financial instruments firms association, and through the results of the investigation, sufficient demand for the securities by investors has been properly grasped and reasonable and fair issuance conditions have been determined;
- (vii) a financial instruments business operator that conducts securities-related business (limited to a person that conducts type I financial instruments business) receives undisclosed information on issuers, etc. from the parent corporation, etc. or subsidiary corporation, etc. of the financial instruments business operator, or provides the information to the parent corporation, etc. or subsidiary corporation, etc. (excluding an act conducted in the following cases):
- (a) if the issuer, etc. has given a prior written consent on the provision of undisclosed information by the financial instruments business operator or their parent corporation, etc. or subsidiary corporation, etc.;
- (b) in cases of entrusting business related to financial instruments intermediary service or securities, etc. intermediary business operations to the parent corporation, etc. or subsidiary corporation, etc. of the financial instruments business operator, and receiving information set forth in Article 281, item (xii), sub-items (a) through (c) of this Cabinet Office Order or Article 118, item (ix), sub-item (a) or (b) of the Cabinet Office Order on Financial Service Intermediaries (Cabinet Office Order No. 35 of

- 2021), or providing information set forth in Article 123, paragraph (1), item (xviii), sub-items (a) through (c);
- (c) in entrusting business related to financial instruments intermediary services to the parent bank, etc. or subsidiary bank, etc. of the financial instruments business operator, and receiving information set forth in Article 123, paragraph (1), item (xxiv), sub-item (a) or (b), or providing information set forth in item (xviii), sub-items (a) through (c) of that paragraph;
- (d) in conducting financial institution agency services entrusted by a principal financial institution which is the parent bank, etc. or subsidiary bank, etc. of the financial instruments business operator (principal financial institution means the principal bank as defined in Article 2, paragraph (16) of the Banking Act, the principal long-term credit bank prescribed in Article 16-5, paragraph (3) of the Long-Term Credit Bank Act, the principal Shinkin bank prescribed in Article 85-2, paragraph (3) of the Shinkin Bank Act, the principal credit cooperative prescribed in Article 6-3, paragraph (3) of the Act on Financial Businesses by Cooperatives, the principal labor bank prescribed in Article 89-3, paragraph (3) of the Labor Bank Act, the principal cooperative prescribed in Article 92-2, paragraph (3) of the Agricultural Cooperatives Act, the principal cooperative prescribed in Article 106, paragraph (3) of the Fisheries Cooperatives Act, the Norinchukin Bank, or the counterparty financial institution prescribed in Article 52-45, item (iv) of the Banking Act as applied mutatis mutandis pursuant to Article 29 of the Act on the Provision of Financial Services following the deemed replacement of terms; the same applies hereinafter), and receiving information set forth in 1. or 2. below or providing information set forth in 3. or 4. below:
1. information on financial institution agency services conducted by the financial instruments business operator entrusted by the principal financial institution that is their parent bank, etc. or subsidiary bank, etc.;
  2. information which is found necessary to be received by the financial instruments business operator in order to comply with the laws and regulations related to financial institution agency services conducted based on entrustment from the principal financial institution that is their parent bank, etc. or subsidiary bank, etc.;
  3. information which is found necessary for the financial instruments business operator to provide to the principal financial institution that is their parent bank, etc. or subsidiary bank, etc. in order to conduct financial institution agency services based on entrustment from the principal financial institution;



4. information which has come to the knowledge of the financial instruments business operator in conducting financial institution agency services based on entrustment from the principal financial institution that is their parent bank, etc. or subsidiary bank, etc., and which is found necessary to be provided to the principal financial institution in order for the financial instruments business operator to comply with laws and regulations;
- (e) when the financial instruments business operator discloses the amount of extension of credit or making of contributions for their customers to their parent bank, etc. or subsidiary bank, etc., for calculating the amounts set forth in the following 1. through 5.:
  1. the amount for extension of credit or making of contributions and the consolidated maximum amount of credit and contribution prescribed in Article 13, paragraph (2) of the Banking Act (including as applied mutatis mutandis pursuant to Article 17 of the Long-Term Credit Bank Act, Article 89, paragraph (1) of the Shinkin Bank Act, Article 94, paragraph (1) of the Labor Bank Act, and Article 6, paragraph (1) of the Act on Financial Businesses by Cooperatives);
  2. the asset investment amount prescribed in Article 97-2, paragraph (3) of the Insurance Business Act, and the total amount calculated pursuant to the provisions of Cabinet Office Order as prescribed in that paragraph;
  3. the amount for extension of credit or making of contribution and the consolidated maximum amount of credit and contribution prescribed in Article 58, paragraph (2) of the Norinchukin Bank Act;
  4. the amount of extension of credit or making of contributions and the consolidated maximum amount of credit and contribution prescribed in Article 11-4, paragraph (2) of the Agricultural Cooperatives Act;
  5. the amount of extension of credit or making of contributions and the consolidated maximum amount of credit and contribution prescribed in Article 11-14, paragraph (2) of the Fisheries Cooperatives Act;
- (f) when receiving or providing the necessary information for preparing a confirmation letter prescribed in Article 24-4-2, paragraph (1) of the Act or an internal control report prescribed in Article 24-4-4, paragraph (1) of the Act (limited to cases in which the financial instruments business operator, and their parent corporation, etc. or subsidiary corporation, etc. that provides the information to, or receives the information from the financial instruments business operator, have appropriately taken measures to prevent the leaking of undisclosed information from the department in charge of preparing the confirmation report and internal control report);
- (g) when receiving or providing necessary information for maintaining and

- managing an electronic data processing system (limited to cases in which the financial instruments business operator, and their parent corporation, etc. or subsidiary corporation, etc. that provides the information to the financial instruments business operator or receives the information from the financial instruments business operator, have appropriately taken measures to prevent the leaking of undisclosed information from the department in charge of maintaining and managing the electronic data processing system);
- (h) when receiving or providing undisclosed information based on laws and regulations, etc.; and
  - (i) when receiving necessary information for conducting all or part of the work on internal management and operation (when receiving necessary information for conducting all or part of the business set forth in paragraph (3), item (vii), limited to the case of receiving information from a subsidiary corporation, etc. of the financial instruments business operator), or providing the information to the person in specified relationship (when providing necessary information for conducting all or part of the business set forth in that item, limited to the case of providing information to the parent corporation, etc. of the financial instruments business operator) (limited to cases in which the financial instruments business operator and the person in specified relationship that provides the information to the financial instruments business operator, or receives the information from the financial instruments business operator have appropriately taken measures to prevent the leaking of undisclosed information from the department in charge of business concerning internal management and operations);
  - (viii) when a financial instruments business operator that conducts securities-related business (limited to a person that conducts type I financial instruments business) solicits the conclusion of a financial instruments transaction contract by utilizing undisclosed information on a customer acquired from their parent corporation, etc. or subsidiary corporation, etc. (limited to information that has been provided by the parent corporation, etc. or subsidiary corporation, etc. without obtaining the customer's written consent);
  - (ix) when a financial instruments business operator that conducts securities-related business (limited to a person that conducts type I financial instruments business) utilizes undisclosed information on issuers, etc. acquired from their parent corporation, etc. or subsidiary corporation, etc. (limited to information acquired in the cases referred to in item (vii), sub-item (g) and (i)) for purposes other than work on maintenance and management of the electronic data processing system and internal

- management and operation;
- (x) when a financial instruments business operator conducting securities-related business (limited to a person that conducts type I financial instruments business) concludes or solicits the conclusion of a financial instruments transaction contract by unjustly taking advantage of the dominant trading position of their parent bank, etc. or subsidiary bank, etc.;
  - (xi) when a financial instruments business operator visits a customer with their parent bank, etc. or subsidiary bank, etc., and the financial instruments business operator fails to disclose the fact that they are a different corporation from the parent bank, etc. or subsidiary bank, etc., and conducts an act that may mislead the customer into believing that it is the same corporation as the parent bank, etc. or subsidiary bank, etc.;
  - (xii) when the parent corporation, etc. or subsidiary corporation, etc. of the financial instruments business operator is the lead managing underwriter related to underwriting of securities, to give advice for the purpose of creating a manipulative quotation that does not reflect the actual market status of its investment advisory business, or make an investment for the purpose of creating a manipulative quotation that does not reflect the actual market status of its investment management business, in order to influence the conditions of public offering or secondary distribution of the securities or the conditions of solicitation for acquisition only for professional investors or solicitation for selling, etc. only for professional investors of those securities;
  - (xiii) when the parent corporation, etc. or subsidiary corporation, etc. of the financial instruments business operator is conducting underwriting of securities, etc. and the amount to be paid to the parent corporation, etc. or subsidiary corporation, etc. for the application of the acquisition or purchase of the securities (if the parent corporation, etc. or subsidiary corporation, etc. is conducting the acts set forth in Article 2, paragraph (6), item (iii) of the Act, the exercise of the share option by the person that has acquired the share option prescribed in that item) is expected to be less than the amount prearranged by the parent corporation, etc. or subsidiary corporation, etc., to give advice on the acquisition or purchase of those securities (if the parent corporation, etc. or subsidiary corporation, etc. is conducting the acts set forth in that item, securities to be acquired by the exercise of the share options; hereinafter the same applies in that item) for its investment advisory business, or to make an investment whose purpose is to acquire or purchase the securities for the investment management business it conducts, upon the request of the parent corporation, etc. or subsidiary corporation, etc.;
  - (xiv) to conduct electronic-based application type electronic public offering services, etc. related to securities issued by the parent corporation, etc. or

- subsidiary corporation, etc. of the financial instruments business operator;  
(xv) to evade the prohibitions under the provisions of Article 44-3, paragraph (1) of the Act, irrespective of the name under which the act to evade the prohibitions is conducted.
- (2) If the financial instruments business operator referred to in items (vii) and (viii) of the preceding paragraph, or their parent corporation, etc. or subsidiary corporation, etc. appropriately offers an opportunity to request the suspension of provision of undisclosed information concerning issuers, etc. to the parent corporation, etc. or subsidiary corporation, etc., or financial instruments business operator of, etc. (hereinafter referred to as "provision of undisclosed information" in this paragraph) to the issuer, etc. (limited to a corporation; hereinafter the same applies in this paragraph), a written consent from the issuer, etc. is deemed to have been given concerning the provision of undisclosed information, until the issuer, etc. requests the suspension.
- (3) The term "work on internal management and operation" as used in paragraph (1), item (vii), (i), and item (ix) means the following work:
- (i) work related to compliance management (meaning determining whether business complies with laws and regulations, etc. (laws and regulations (including foreign laws and regulations), dispositions based on laws and regulations by administrative agencies (including similar dispositions under foreign laws and regulations), or articles of incorporation of a financial instruments firms association, financial instruments exchange, or commodity exchange (meaning the commodity exchange as defined in Article 2, paragraph (4) of the Commodity Futures Act) or other rules (including rules in foreign countries which are equivalent to them); hereinafter the same applies in this item), and having officers and employees comply with the laws and regulations, etc.);
  - (ii) work concerning management of risk of loss;
  - (iii) work concerning internal audit and internal inspection;
  - (iv) work concerning finance;
  - (v) work concerning accounting;
  - (vi) work concerning taxation;
  - (vii) work concerning business management of subsidiary corporations, etc. (excluding those set forth in the preceding items); and
  - (viii) settlement of accounts concerning purchase and sale of securities, derivative transactions, or other transactions, and work related to them.
- (4) The term "person in specified relationship" as used in paragraph (1), item (vii), sub-item (i) means any of the following persons:
- (i) a holding company that has the financial instruments business operator as a subsidiary company (meaning a subsidiary company prescribed in Article 29-4, paragraph (4) of the Act; hereinafter the same applies in this paragraph);

- (ii) a company that is the parent corporation, etc. of the financial instruments business operator that does not fall under a holding company and conducts business management of the financial instruments business operator and work incidental to business management (excluding the persons set forth in the following item through item (v));
- (iii) the parent bank, etc. or subsidiary bank, etc. of the financial instruments business operator;
- (iv) a holding company that has the parent bank, etc. or subsidiary bank, etc. of the financial instruments business operator as a subsidiary company (excluding the person set forth in item (i));
- (v) the following person that is the parent corporation, etc. or subsidiary corporation, etc. of the financial instruments business operator:
  - (a) a financial instruments business operator;
  - (b) a trust company; or
  - (c) a money lender as defined in Article 2, paragraph (2) of the Money Lending Business Act (Act No. 32 of 1983); or
- (vi) other persons designated by the Commissioner of the Financial Services Agency.

(Restrictions on Acts Parent Corporations or Subsidiary Corporations of Registered Financial Institutions Are Involved In)

Article 154 The acts specified by Cabinet Office Order as prescribed in Article 44-3, paragraph (2), item (iv) of the Act are as follows:

- (i) a registered financial institution conducts financial instruments intermediary service with a customer, even though the registered financial institution has conducted purchase and sale or other transactions of assets with the customer under conditions more favorable than those for ordinary transactions, on the condition that the customer concludes a financial instruments transaction contract with the parent corporation, etc. or subsidiary corporation, etc. of the registered financial institution;
- (ii) an act of concluding a financial instruments transaction contract with a customer, knowing that the registered financial institution's parent corporation, etc. or subsidiary corporation, etc. has granted credit to the customer, or has conducted purchase and sale or other transactions of assets with the customer under conditions more favorable than those for ordinary transactions, on the condition that the customer concludes the financial instruments transaction contract with the registered financial institution;
- (iii) to conduct financial instruments intermediary services related to the securities for the customer during the period commencing on the day when the parent corporation, etc. or subsidiary corporation, etc. of the registered financial institution has become the underwriter of securities until the day

on which six months have passed, by promising to extend a loan for the purchase price of those securities or otherwise grant credit (if the parent corporation, etc. or subsidiary corporation, etc. is to conduct an act set forth in Article 2, paragraph (6), item (iii) of the Act, securities obtained by exercising the share option prescribed in that item; hereinafter the same applies in this item);

- (iv) the act by an officer (if the officer is a corporation, including members that are to perform the corporation's duties; hereinafter the same applies in this item and the following item) or employee of the registered financial institution that is engaged in a financial instruments intermediary services of providing undisclosed information on the issuer, etc. (limited to information on trend of orders concerning customers' purchase and sale or other transactions of securities and other special information) to the parent corporation, etc. (excluding a bank holding company as defined in Article 2, paragraph (13) of the Banking Act, a company set forth in Article 52-23, paragraph (1), item (x) of that Act (limited to a company that conducts the business set forth in sub-item (a) of that item), a long-term credit bank holding company prescribed in Article 16-4, paragraph (1) of the Long Term Credit Bank Act, a company set forth in item (x) of that paragraph (limited to a company that conducts the business set forth in sub-item (a) of that item), an insurance holding company as defined in Article 2, paragraph (16) of the Insurance Business Act, and a company set forth in Article 271-22, paragraph (1), item (xii) of that Act (limited to a company that conducts the business set forth in sub-item (a) of that item); hereinafter the same applies in this item) or the subsidiary corporation, etc. (excluding a company set forth in Article 16-2, paragraph (1), item (xi) of the Banking Act (limited to a company that conducts the business set forth in sub-item (a) of that item), a company set forth in Article 13-2, paragraph (1), item (xi) of the Long Term Credit Bank Act (limited to a company that conducts the business set forth in sub-item (a) of that item), a company set forth in Article 54-23, paragraph (1), item (x) of the Shinkin Bank Act (limited to a company that conducts the business set forth in sub-item (a) of that item), a company set forth in Article 58-5, paragraph (1), item (vi) of the Labor Bank Act (limited to a company that conducts the business set forth in sub-item (a) of that item), a company specified in Article 4-4, paragraph (1), item (vi) of the Act on Financial Businesses by Cooperatives (limited to a company that conducts the business set forth in sub-item (a) of that item), a company set forth in Article 106, paragraph (1), item (xii) of the Insurance Business Act (limited to a company that conducts the business set forth in sub-item (a) of that item), a company set forth in Article 72, paragraph (1), item (viii) of the Norinchukin Bank Act (limited to a company that conducts the business set forth in sub-item (a) of

that item), a company set forth in Article 11-47, paragraph (1), item (v) of the Agricultural Cooperatives Act (limited to a company that conducts the business set forth in sub-item (a) of that item), and a company specified in Article 87-2, paragraph (1), item (v) of the Fishery Cooperatives Act (including as applied *mutatis mutandis* pursuant to Article 100, paragraph (1) of that Act) (limited to a company that conducts the business set forth in sub-item (a) of that item); hereinafter the same applies in this item), or to receive undisclosed loan, etc. information of the customer that is the issuer of securities (excluding the securities set forth in Article 33, paragraph (2), item (i) of the Act and the securities set forth in Article 2, paragraph (1), item (xvii) of the Act, which has the nature referred to in items (i) and (ii) of that paragraph) from its parent corporation, etc. or subsidiary corporation, etc. (excluding the act to be conducted in the following cases):

- (a) when the issuer, etc. has given prior written consent to the provision of undisclosed information by the registered financial institution, or by the registered financial institution's parent corporation, etc. or subsidiary corporation, etc.;
- (b) when financial instruments intermediary services or securities, etc. intermediary business operations are entrusted to the parent corporation, etc. or subsidiary corporation, etc. of the registered financial institution, and the registered financial institution receives the information set forth in Article 281, item (xii), sub-items (a) through (c) of this Cabinet Office Order or Article 118, item (ix), sub-item (a) or (b) of the Cabinet Office Order on Financial Service Intermediaries, or provides the information set forth in Article 123, paragraph (1), item (xviii), sub-item (a) or (b);
- (c) when the parent corporation, etc. or subsidiary corporation, etc. of the registered financial institution is an entrusting financial instruments business operator, and the registered financial institution receives the information set forth in Article 123, paragraph (1), item (xviii), sub-item (a) through (c), or provides the information set forth in item (xxiv), sub-item (a) or (b) of that paragraph;
- (d) when conducting financial institution agency services entrusted by the principal financial institution that is the parent corporation, etc. or subsidiary corporation, etc. of the registered financial institution, and the registered financial institution receives the information set forth in the following 1. or 2., or the provides the information set forth in the following 3. or 4.:
  - 1. information on financial institution agency services conducted by the registered financial institution entrusted by the principal financial institution that is its parent corporation, etc. or subsidiary corporation, etc.;

2. information which is found necessary to be received in order to comply with the laws and regulations applicable to financial institution agency services conducted based on entrustment by the principal financial institution that is the parent corporation, etc. or subsidiary corporation, etc. of the registered financial institution;
  3. information that is found necessary to be provided to the principal financial institution that is the parent bank, etc. or subsidiary bank, etc. of the registered financial institution in order for the registered financial institution to conduct financial institution agency services based on entrustment from the principal financial institution;
  4. information that has come to the knowledge of the registered financial institution in conducting financial institution agency services based on entrustment from the principal financial institution that is its parent bank, etc. or subsidiary bank, etc., and that is found necessary to be provided to the principal financial institution in order for the registered financial institution to comply with laws and regulations.
- (e) when receiving the amount of the extension of credit or making of contributions by the registered financial institution's parent bank, etc. or subsidiary bank, etc. to the customers for the purpose of calculating the amount set forth in 1. through 5. below:
1. the amount of extension of credit or making of contributions and the consolidated maximum amount of credit and contribution specified in Article 13, paragraph (2) of the Banking Act (including as applied mutatis mutandis pursuant to Article 17 of the Long-Term Credit Bank Act, Article 89, paragraph (1) of the Shinkin Bank Act, Article 94, paragraph (1) of the Labor Bank Act, and Article 6, paragraph (1) of the Act on Financial Businesses by Cooperatives);
  2. the assets investment amount specified in Article 97-2, paragraph (3) of the Insurance Business Act, and the total amount calculated pursuant to the provisions of Cabinet Office Order that is specified in that paragraph;
  3. the amount of the extension of credit or making of contributions and the consolidated maximum amount of credit and contribution specified in Article 58, paragraph (2) of the Norinchukin Bank Act;
  4. the amount of the extension of credit or making of contributions and the consolidated maximum amount of credit and contribution specified in Article 11-4, paragraph (2) of the Agricultural Cooperatives Act;
  5. the amount of the extension of credit or making of contributions and the consolidated maximum amount of credit and contribution specified in Article 11-14, paragraph (2) of the Fisheries Cooperatives Act;
- (f) when providing necessary information for preparing the confirmation



- letter prescribed in Article 24-4-2, paragraph (1) of the Act or the internal control report prescribed in Article 24-4-4, paragraph (1) of the Act (limited to cases in which the parent corporation, etc. or subsidiary corporation, etc. that receives the information from the officer or employee has appropriately taken measures to prevent the leaking of undisclosed information from the department in charge of preparing the confirmation report and internal control report);
- (g) when providing necessary information for maintaining and managing electronic data processing system (limited to cases in which the parent corporation, etc. or subsidiary corporation, etc. that receives the information from the officer or employee have appropriately taken measures to prevent the leaking of undisclosed information from the department in charge of the maintenance and management of the electronic data processing system);
  - (h) when undisclosed information is received or provided based on laws and regulations, etc.;
  - (i) when necessary information for conducting all or part of the work on internal management and operation (meaning the work on internal management and operation prescribed in paragraph (3) of the preceding Article; hereinafter the same applies in sub-item (i)) is provided to a person in specified relationship (when the registered financial institution is the parent corporation, etc. or subsidiary corporation, etc. of a financial instruments business operator that conducts securities-related business (limited to a person that conducts type I financial instruments business), or the financial instruments business operator is the parent corporation, etc. or subsidiary corporation, etc. of the registered financial institution, the financial instruments business operator and the person set forth in the items of paragraph (4) of that Article, who is the parent corporation, etc. or subsidiary corporation, etc. of the registered financial institution (when providing necessary information for conducting all or part of the business set forth in paragraph (3), item (vii) of that Article, limited to the parent corporation, etc. of the registered financial institution); hereinafter the same applies in sub-item (i)) (limited to the cases in which the person in specified relationship that receives the information from the officer or employee has appropriately taken measures to prevent the leaking of undisclosed information from the department in charge of the work on internal management and operation); and
  - (j) when necessary information for the registered financial institution or the parent bank, etc. or subsidiary bank, etc. of the registered financial institution to comply with the applicable provisions (meaning the applicable provisions prescribed in Article 123, paragraph (1), item (xviii),

- sub-item (d); hereinafter the same applies in sub-item (j)) is provided to the parent bank, etc. or subsidiary bank, etc. (limited to cases in which the parent bank, etc. or subsidiary bank, etc. that receives the information from the officer or employee has appropriately taken measures to prevent the leaking of undisclosed information from the department in charge of work related to the compliance with the applicable provisions);
- (v) an act in which an officer or employee engaged in financial instruments intermediary services of the registered financial institution solicits the conclusion of a financial instruments transaction contract by utilizing the undisclosed information concerning customers obtained from the parent corporation, etc. or subsidiary corporation, etc. of the registered financial institution (limited to information provided by the parent corporation, etc. or subsidiary corporation, etc. without obtaining the customer's written consent);
- (vi) when the parent corporation, etc. or subsidiary corporation, etc. of the registered financial institution is the lead managing underwriter for the underwriting of securities, to give advice for the purpose of creating manipulative quotation that does not reflect the actual market status concerning investment advisory business it conducts, or make an investment for the purpose of creating manipulative quotation that does not reflect the actual market status concerning investment management business it conducts, in order to exert an impact on the conditions for public offering or secondary distribution of the securities, or solicitation for acquisition only for professional investors or solicitation for selling, etc. only for professional investors related to those securities;
- (vii) when the parent corporation, etc. or subsidiary corporation, etc. of the registered financial institution is conducting underwriting, etc. of securities, and the amount to be paid to the parent corporation, etc. or subsidiary corporation, etc. for the application of the acquisition or purchase of the securities (if the parent corporation, etc. or subsidiary corporation, etc. is conducting the acts set forth in Article 2, paragraph (6), item (iii) of the Act, exercise of the share option by the person that has acquired the share option prescribed in that item) is expected to be less than the amount prearranged by the parent corporation, etc. or subsidiary corporation, etc., to give advice on the acquisition or purchase of the securities (if the parent corporation, etc. or subsidiary corporation, etc. is conducting the acts set forth in that item, securities to be acquired by exercising the share options; hereinafter the same applies in that item) for its investment advisory business, or to make an investment whose purpose is to acquire or purchase those securities for its investment management business, upon the request of the parent corporation, etc. or subsidiary corporation, etc.;

- (viii) to conduct electronic-based application type electronic public offering services, etc. related to securities issued by the parent corporation, etc. or subsidiary corporation, etc. of the registered financial institution;
- (ix) to evade the prohibitions under the provisions of Article 44-3, paragraph (2) of the Act, irrespective of the name under which the act is conducted.

(Means of Using Information Communication Technology)

- Article 155 (1) A financial instruments business operator, etc. may obtain consent from the issuer, etc. by electronic or magnetic means in lieu of the written consent of the issuer, etc. under the provisions of Article 153, paragraph (1), item (vii), sub-item (a) and Article 154, item (iv), sub-item (a), pursuant to the provisions of the following paragraph and by obtaining an approval from the issuer, etc. In such a case, the financial instruments business operator, etc. is deemed to have obtained the written consent from the issuer, etc.
- (2) If a financial instruments business operator, etc. seeks to obtain the consent from the issuer, etc. pursuant to the provisions of the preceding paragraph, they must present the type and content of the following electronic or magnetic means to be used by them in advance, and obtain consent in writing or by electronic or magnetic means from the issuer, etc.:
- (i) the means to be used by a financial instruments business operator, etc., from among the means specified in the items of Article 56, paragraph (1); and
  - (ii) the formalities for recording the matters in a file.
- (3) If the issuer, etc. has notified in writing or by electronic or magnetic means that they will not give consent by electronic or magnetic means, the financial instruments business operator, etc. that has obtained the approval under the provisions of the preceding paragraph may not obtain the consent from the issuer, etc. by electronic or magnetic means; provided, however, that this does not apply if the issuer, etc. has given the consent under the provisions of that paragraph at another time.

**Subsection 7 Miscellaneous Provisions**

- Article 156 The cases specified by Cabinet Office Order as prescribed in the proviso to Article 45 of the Act are those specified in the following items concerning the application of the provisions set forth in each of those items:
- (i) the provisions of Article 37-4: when a system that enables to promptly respond to customers' inquiries on individual transactions has not been developed;
  - (ii) the provisions of Article 37-5: when a system that enables to promptly

- respond to customers' inquiries on receipt of individual security deposits has not been developed;
- (iii) the provisions of Article 41-4 and Article 42-5: when a system for managing deposited money and securities separately from their own assets and other customers' assets (meaning the system for separating the money and securities from their own assets and other customers' assets by means of separating the place of custody or by other means, and, managing the money and securities in a manner that is possible to identify the customer that has deposited the money and securities) has not been developed; and
- (iv) the provisions of Article 42-7: when a system that enables to promptly respond to customers' inquiries on the matters to be stated in an investment report referred to in paragraph (1) of that Article has not been developed.

### **Section 3 Accounting**

#### **Subsection 1 Financial Instruments Business Operators Conducting Type-I Financial Instruments Business**

(Books and Documents Related to Business)

Article 157 (1) The books and documents required to be prepared by a financial instruments business operator (limited to an operator that conducts type I financial instruments business; hereinafter the same applies in this Subsection) pursuant to the provisions of Article 46-2 of the Act are as follows:

- (i) copies of the following documents:
- (a) the documents set forth in the following provisions:
    - 1. the provisions of Article 34-2, paragraph (3) of the Act;
    - 2. the provisions of Article 34-4, paragraph (2) of the Act;
    - 3. the provisions of Article 37-3, paragraph (1) of the Act;
    - 4. the provisions of Article 37-4, paragraph (1) of the Act;
    - 5. the provisions of Article 40-2, paragraph (5) of the Act; and
    - 6. the provisions of Article 40-5, paragraph (2) of the Act;
  - (b) explanatory document on listed securities, etc.;
  - (c) a prospectus prescribed in Article 80, paragraph (1), item (iii) (if there is a document to be delivered together with the prospectus pursuant to the provisions of that item, the prospectus and the document); and
  - (d) contract change document;
- (ii) the documents prescribed in the following provisions:
- (a) the provisions of Article 34-3, paragraph (2) of the Act (including as applied mutatis mutandis pursuant to Article 34-4, paragraph (6) of the Act);
  - (b) the provisions of Article 43-4, paragraph (1) of the Act; and
  - (c) the provisions of Article 153, paragraph (1), item (vii), (a);

- (iii) order forms;
- (iii)-2 records concerning confirmation of settlement measures;
- (iii)-3 records concerning confirmation of transactions exempted from application of settlement measures;
- (iii)-4 records concerning confirmation referred to in Article 117, paragraph (1), item (xxiv)-5;
- (iv) a transaction diary;
- (v) transaction records for intermediary or agency services;
- (vi) transaction records for brokerage for clearing of securities, etc.;
- (vii) transaction records for public offering or secondary distribution, or private placement or solicitation for selling, etc. only for professional investors;
- (viii) transaction records for handling public offering or secondary distribution, or handling private placement or solicitation for selling, etc. only for professional investors;
- (ix) customer ledger;
- (x) book on serial numbers of delivered securities;
- (xi) book on the details of securities, etc. in safe custody;
- (xii) records of the results of audit of separate management;
- (xiii) trading products ledger;
- (xiv) the transactions with repurchase or resale agreement ledger;
- (xv) if the financial instruments business operator is a person that conducts a proprietary trading system operation, transaction records for the proprietary trading system operation;
- (xv)-2 if the financial instruments business operator is a person that conducts electronic trading platform management services, records of the content of customers' orders (including orders related to changes and cancellations) and other transaction records for the electronic trading platform management services;
- (xvi) if the financial instruments business operator is a person that conducts an investment advisory and agency business, the following documents:
  - (a) a document stating the content of the investment advisory contract concluded by the financial instruments business operator;
  - (b) a document stating the content of the advice given under the investment advisory contract;
  - (c) if a financial instruments transaction contract has been cancelled under the provisions of Article 37-6, paragraph (1) of the Act, a written notice of the fact that the financial instruments transaction contract will be canceled; and
  - (d) transaction records for agency or intermediation services conducted for concluding an investment advisory contract or a discretionary investment contract;

- (xvii) if the financial instruments business operator is a person that conducts investment management business, the following documents:
  - (a) a document stating the content of the contract or other juridical acts set forth in the items of Article 42-3, paragraph (1) of the Act (if the authority has been entrusted pursuant to the provisions of that paragraph, including the contract for the entrustment);
  - (b) a copy of the investment report referred to in Article 42-7, paragraph (1) of the Act (for a settlor company of an investment trust (meaning a settlor company of an investment trust as defined in Article 2, paragraph (11) of the Act on Investment Trusts and Investment Corporations, and including the issuer of beneficiary certificates of a foreign investment trust as defined in paragraph (24) of that Article which is similar to an investment trust managed under instructions from the settlor as defined in paragraph (1) of that Article; the same applies in (e)), including an investment report referred to in Article 14, paragraph (1) of that Act (including as applied mutatis mutandis pursuant to Article 59 of that Act) and a document referred to in Article 14, paragraph (4) of that Act (including as applied mutatis mutandis pursuant to Article 59 of that Act);
  - (c) an investment statement;
  - (d) a purchase order form;
  - (e) for a settlor company of an investment trust, the following matters:
    - 1. a book on the details of the settlor's outstanding remuneration;
    - 2. a book on the details of unpaid dividends;
    - 3. a book on the details of unpaid redemption; and
    - 4. a book on the details of unpaid fees;
- (xviii) for a person that conducts electronic public offering services, the following records:
  - (a) record of examinations based on the measures prescribed in Article 70-2, paragraph (2), item (iii); and
  - (b) record of information displayed on a screen of a computer pursuant to the provisions of Article 146-2, paragraph (1).
- (2) The books and documents set forth in item (i), item (ii), item (xvi), sub-item (c), and item (xviii), sub-item (b) of the preceding paragraph must be preserved for five years from the day of their preparation (for books and documents set forth in item (ii) of that paragraph, from the day when they cease to be effective); the books and documents set forth in items (iii) through (iii)-4 and item (xvii), sub-item (d) of that paragraph must be preserved for seven years from the day of their preparation; the books and documents set forth in items (iv) through (xv)-2, item (xvi) (excluding (c) of that item), item (xvii) (excluding (d) of that item) and item (xviii), sub-item (a) of that paragraph must be preserved for ten years from the day of their preparation (for books and

documents set forth in item (xvi), sub-item (a) and item (xvii), sub-item (a) of that paragraph, from the day of the termination of the business related to the contract or other juridical acts).

- (3) The books and documents set forth in the items of paragraph (1) must be preserved in Japan; provided, however, that this does not apply if the books and documents are prepared in a business office or an office established in a foreign country and their copies have been preserved in Japan without delay after their preparation, or the books and documents are prepared as electronic or magnetic records, and, a document indicating the matters recorded in the electronic or magnetic records has been made available for inspection without delay at a business office or an office established in Japan.

(Order Forms)

Article 158 (1) The following matters concerning the acts listed in Article 2, paragraph (8), items (i) through (iv) of the Act (excluding those related to intermediary or agency services, or those related to an act set forth in item (viii) of that paragraph (limited to an act conducted by specifying a period of offer for purchase, or sale, of securities related to the act)) and commodity-related market derivatives transactions, must be stated in an order form referred to in Article 157, paragraph (1), item (iii):

- (i) distinction of whether the transaction is one's own transaction or a transaction entrusted by a customer (for placing an order for one's own transaction, one's own transaction);
- (ii) in the case of an order by a customer, the name of the customer;
- (iii) the type of the transaction (for a transaction set forth in sub-items (a) through (h) below, including the matters specified in each of those sub-items (a) through (h); hereinafter the same applies in this Section):
  - (a) a margin transaction or when-issued transaction: that fact, and in the case of a margin transaction, the due date for payment;
  - (b) a transaction with a repurchase or resale agreement: the following matters:
    - 1. that fact;
    - 2. distinction of whether it is a transaction for starting (meaning a transaction in which the seller sells the securities subject to a transaction with a repurchase or resale agreement to the purchaser; the same applies hereinafter) or a transaction for ending (meaning a transaction in which the purchaser resells the same type and volume of securities as the securities that were the subject of the transaction with a repurchase or resale agreement to the seller; the same applies hereinafter);
    - 3. distinction of whether it is a transaction with a repurchase or resale

- agreement based on entrustment from a customer or a transaction with a repurchase or resale agreement for raising one's funds; and
4. yield for the period;
- (c) short selling of securities: that fact;
- (d) a transaction set forth in Article 2, paragraph (21), items (i) and (ii) of the Act (including foreign market derivatives transactions similar to the transaction), and a transaction set forth in Article 2, paragraph (22), items (i) and (ii) of the Act: the following matters:
1. the expiration month or delivery date;
  2. distinction of whether it is a new transaction, a settlement, or a cancellation;
- (e) a transaction set forth in Article 2, paragraph (21), item (iii) of the Act (including foreign market derivatives transactions similar to the transaction), a transaction set forth in Article 2, paragraph (22), items (iii) and (iv) of the Act, and a trading of bonds with options: the following matters:
1. the exercise period and exercise price;
  2. distinction of whether it is a put option or a call option;
  3. distinction of whether it is a new transaction, a transaction for exercise of rights, a resale transaction, a buy-back transaction, or a set-off transaction;
  4. the expiration month; and
  5. for a transaction set forth in Article 2, paragraph (22), items (iii) and (iv) of the Act, the content of the transaction to be closed by the exercise of options;
- (f) a transaction set forth in Article 2, paragraph (21), item (iv) of the Act (including foreign market derivatives transactions similar to the transaction), a transaction set forth in item (iv)-2 of that paragraph, and a transaction set forth in Article 2, paragraph (22), item (v) of the Act: the transaction period and delivery date;
- (g) a transaction set forth in Article 2, paragraph (21), item (v) of the Act (including foreign market derivatives transactions similar to the transaction), and a transaction set forth in Article 2, paragraph (22), item (vi) of the Act: the following matters:
1. the exercise period;
  2. distinction of whether it is a new transaction, a transaction for exercise of rights, a resale transaction, or a buy-back transaction; and
  3. for a transaction set forth in Article 2, paragraph (22), item (vi) of the Act, the events determined by the parties in advance (meaning any of the events set forth in that item; the same applies in Article 159, paragraph (1), item (xiii), sub-item (d)), the amount of money to be



paid upon the occurrence of the events or its calculation method, and the financial instruments, rights related to the financial instruments, or monetary claims (excluding claims that are financial instruments or rights related to the financial instruments) which the parties promised to transfer;

- (h) a strategy trading provided by the rules of a financial instruments exchange (meaning market derivatives transactions conducted on a financial instruments market established by the financial instruments exchange, in which two or more transactions are closed at the same time; the same applies in Article 283, paragraph (1), item (iii), sub-item (h)): its type;
- (iv) issue (including the financial instrument or financial index which will be the subject of a transaction, or the contract number stated in the contract which states the conditions of the transaction and other matters that specify the subject of a transaction; hereinafter the same applies in this Section);
- (v) distinction of whether the transaction is a sale or a purchase transaction (for transactions set forth in sub-items (a) through (e) below, the type of transaction specified in each of those sub-items (a) through (e)); hereinafter the same applies in this Section excluding Article 170 and Article 171):
  - (a) a transaction set forth in Article 2, paragraph (21), item (ii) of the Act (including foreign market derivatives transactions similar to the transaction) and a transaction set forth in Article 2, paragraph (22), item (ii) of the Act: a transaction in which a customer (the financial instruments business operator themselves, when placing an order for oneself; hereinafter the same applies in this item) becomes the party to pay money, or the party to receive money when the actual figure exceeds the agreed figure ;
  - (b) a transaction set forth in Article 2, paragraph (21), item (iii) of the Act (including foreign market derivatives transactions similar to the transaction) and transactions set forth in Article 2, paragraph (22), items (iii) and (iv) of the Act: a transaction in which a customer becomes the party to grant options, or the party to acquire options;
  - (c) a transaction set forth in Article 2, paragraph (21), item (iv) of the Act (including foreign market derivatives transactions similar to the transaction) and a transaction set forth in Article 2, paragraph (22), item (v) of the Act: a transaction in which a customer becomes the party to pay money, or the party to receive money when the interest rate, etc. of the financial products or financial indexes agreed between the customer and the counterparty increase in the agreed period,; and
  - (d) a transaction set forth in Article 2, paragraph (21), item (iv)-2 of the Act: a transaction in which a customer becomes the party to pay money or the

- party to receive money when the financial index for the products agreed between the customer and the counterparty rises in the agreed period;
- (e) a transaction set forth in Article 2, paragraph (21), item (v) of the Act (including foreign market derivatives transactions similar to the transaction) and a transaction set forth in Article 2, paragraph (22), item (vi) of the Act: a transaction in which a customer becomes the party to pay money, or the party to receive money when an event determined by the parties in advance (meaning any of the events set forth in Article 2, paragraph (21), item (v) or Article 2, paragraph (22), item (vi) of the Act; the same applies in item (xi), sub-item (d)) occurs,;
- (vi) volume of the orders received (if there is no volume, number of orders or the matter equivalent to volume; the same applies in paragraph (3), item (iii));
- (vii) agreed volume (if there is no volume, number of orders or the matter equivalent to volume; the same applies in paragraph (3), item (iii));
- (viii) distinction of whether it is a limit order or a market order (for a limit order, the price and expiration date of the order (excluding an order whose expiration date falls on the order date) are included);
- (ix) the date and time when the order was received;
- (x) the date and time when the contract was concluded;
- (xi) the contracted price (for a transaction set forth in sub-items (a) through (d) below, the matters specified in each of those items (a) through (d); hereinafter the same applies in this Section):
- (a) a transaction set forth in Article 2, paragraph (21), item (ii) of the Act (including foreign market derivatives transactions similar to the transaction) and a transaction set forth in Article 2, paragraph (22), item (ii) of the Act: the agreed figure;
- (b) a transaction set forth in Article 2, paragraph (21), item (iii) of the Act (including foreign market derivatives transactions similar to the transactions), transactions set forth in Article 2, paragraph (22), items (iii) and (iv) of the Act, and trading of bonds with options: the amount of the consideration for the options or option premiums;
- (c) a transaction set forth in Article 2, paragraph (21), item (iv) of the Act (including foreign market derivatives transactions similar to the transaction), a transaction set forth in item (iv)-2 of that paragraph, and a transaction set forth in Article 2, paragraph (22), item (v): the contracted interest rate, etc. of the financial instrument or the contracted financial index; or
- (d) a transaction set forth in Article 2, paragraph (21), item (v) of the Act (including foreign market derivatives transactions similar to the transaction), and a transaction set forth in Article 2, paragraph (22), item

- (vi) of the Act: the amount of the consideration for the right to receive money upon the occurrence of the event determined by the parties in advance.
- (2) An order form referred to in the preceding paragraph must be prepared in accordance with the following conditions:
  - (i) an order form is to be promptly prepared upon receipt of the order for an order from a customer, or promptly upon placing the order for an order for one's own transaction; provided, however, that this does not apply when orders for two or more securities of different issues are received at the same time or when it is difficult to promptly prepare an order form upon receiving an order;
  - (ii) if the transaction is not closed, to indicate the fact in an order form;
  - (iii) if an order form is to be prepared by means of an electronic or magnetic record, the record is prepared in accordance with the following conditions, in addition to the matters set forth in the items of the preceding paragraph:
    - (a) the matters set forth in the items of the preceding paragraph (excluding item (vii), item (x), and item (xi)) is to be entered on a computer upon receiving an order (for placing an order for one's own transaction, before placing the order); and
    - (b) the date and time when the content of the customer's order or order of one's own transaction are entered on a computer are to be automatically recorded;
  - (iv) the order forms are to be preserved in accordance with the following conditions:
    - (a) the order forms are to be divided into customer's orders and one's own orders, and are to be filed in order of date and preserved;
    - (b) the order forms for transactions with a repurchase or resale agreement are to be preserved in separate files; provided, however, that this does not apply to business offices or offices that has a small trading volume;
    - (c) the order forms for proprietary trading system operations are preserved in a manner that is readily identifiable from other forms;
    - (d) the order forms for electronic trading platform management services are preserved in a manner that is readily identifiable from other forms;
  - (v) if an order is for a transaction for which a give-up was effected, that fact is to be indicated;
  - (vi) for a transaction for which give-up action has been performed, an order executing member, etc. is not required to state whether the transaction is a new transaction or a settlement transaction, or whether it is a new transaction, a transaction for the exercise of rights, a resale transaction, or a buy-back transaction;
  - (vii) for a transaction for which give-up action has been performed, a clearance

- executing member, etc. is not required to prepare order forms.
- (viii) when a member, etc. presents quotes for sale or purchase of securities of specific issues, or financial instruments or financial indexes related to market derivatives transactions on a regular and continuous basis on a financial instruments exchange market established by the financial instruments exchange pursuant to the rules of the financial instruments exchange, the member, etc. is not required to prepare order forms for the orders placed as the quotes by the member, etc.;
  - (ix) when a member of an authorized financial instruments firms association presents quotes for sale or purchase of securities of specific issues on the over-the-counter securities market established by the authorized financial instruments firms association on a regular and continuous basis pursuant to the rules of the authorized financial instruments firms association, the member is not required to prepare order forms for the orders placed as the quotes by the member.
- (3) Notwithstanding the provisions of the preceding two paragraphs, the matters set forth in the following items may be stated in accordance with the conditions set forth in each of those items:
- (i) the matters set forth in paragraph (1), items (iv) and (xi) which are related to pre-auction trading of government bonds: to state the fact that the transaction is a pre-auction trading of government bonds, the scheduled redemption date, and the contracted yield, in lieu of the matters set forth in items (iv) and (xi) of that paragraph;
  - (ii) the matters set forth in the items of paragraph (1) which are related to a transaction with a repurchase or resale agreement: to state the transaction for starting and the transaction for ending of the same customer on one order form;
  - (iii) the matters set forth in the items of paragraph (1) related to investment trust beneficiary certificates, etc. for which the price does not fluctuate on the same day (meaning beneficiary certificates of an investment trust or a foreign investment trust, investment securities, or foreign investment securities similar to investment securities; hereinafter the same applies except in Article 281, item (vi)): to state the customer's name, the issue, distinction of whether the transaction is a sale or purchase transaction, volume of the orders received, contracted volume, the date of the receipt of the order, and the contract date, in lieu of the matters set forth in each of those items;
  - (iv) the matter set forth in paragraph (1), item (ii): in the case of a customer for whom delivery of a document for delivery upon conclusion of contract is not required pursuant to the provisions of Article 110, paragraph (1), item (v) or (vi), and the customer is different from the person authorized to give

- investment instructions related to the customer's assets, the person authorized to give investment instructions is to be treated as the customer set forth in paragraph (1), item (ii) for a purchase and sale transaction ordered by that person authorized to give investment instructions. In such a case, that fact must be indicated on the order form;
- (v) the matters set forth in paragraph (1), item (iii), sub-item (d), 2., sub-item (e), 3., and sub-item (g), 2.: to omit the entry of the matters for which instruction is not required at the time of the order pursuant to the rules established by a financial instruments exchange;
  - (vi) matters prepared by means of an electronic or magnetic record pursuant to the provisions of item (iii) of the preceding paragraph: when the matters prepared by means of an electronic or magnetic record is displayed on the screen of a computer, or printed out on a document, the matters are to be displayed or printed in the form of a list.
- (4) With regard to order forms referred to in paragraph (1) related to high-speed trading, the provisions of paragraph (2), items (iii) and (iv), and item (vi) of the preceding paragraph do not apply, and the provisions of Article 338, paragraphs (6) and (7) apply *mutatis mutandis*. In such a case, the phrase "in accordance with the following conditions" in that paragraph is deemed to be replaced with "to enable to identify the transactions as those related to high-speed trading, and, in accordance with the following conditions".
- (5) Beyond what is prescribed in the provisions of paragraph (1) and paragraph (3), the following matters must be stated in the order forms referred to in paragraph (1) related to a brokerage prescribed in Article 70-2, paragraph (7) that is implemented by using the intra-company transaction system (excluding brokerage not for the main purpose of operating it at a price equivalent to or more favorable than the price (including the matter equivalent to the price; the same applies hereinafter in this paragraph) at the financial instruments exchange market, etc. (meaning the financial instruments exchange market or proprietary trading system prescribed in Article 26-2-2, paragraph (7) of the Order; the same applies in item (iii))):
- (i) the name of the intra-company transaction system;
  - (ii) the price and the time that has been determined by the intra-company transaction system; and
  - (iii) the price and the time on the financial instruments exchange market, etc. and in the intra-company transaction system which have been compared in using the intra-company transaction system.
- (6) Beyond what is prescribed in the provisions of paragraphs (2) and (3), the order form referred to in paragraph (1) related to a brokerage prescribed in the preceding paragraph must be prepared in a manner that is possible to identify that it is related to the brokerage.

Article 158-2 The record for confirmation of the settlement measures referred to in Article 157, paragraph (1), item (iii)-2 must state the following matters concerning the content confirmed pursuant to the provisions of Article 26-2-2, paragraph (1) or (2) of the Order (including as applied mutatis mutandis pursuant to paragraphs (6) and (7) of that Article):

- (i) the name of the customer;
- (ii) the date of confirmation;
- (iii) the name of the person that has provided the securities related to the settlement measures; and
- (iv) the content of the settlement measures confirmed pursuant to the provisions of Article 26-2-2, paragraph (1) or (2) of the Order (including as applied mutatis mutandis pursuant to paragraphs (6) and (7) of that Article).

(Record for Confirmation of Transactions Exempted from Application of Settlement Measures)

Article 158-3 The record for confirmation of a transaction exempted from application of settlement measures referred to in Article 157, paragraph (1), item (iii)-3 must state the following matters concerning the content of a short selling when confirming the fact that short selling of entrusted securities (limited to securities designated by the Commissioner of the Financial Services Agency which are prescribed in Article 26-2-2, paragraph (1) of the Order (including as applied mutatis mutandis pursuant to paragraphs (6) and (7) of that Article)) is to be conducted as a transaction set forth in Article 9-3, paragraph (1), items (xx) through (xxxvi), paragraph (2), items (vii) through (ix), or paragraph (3), items (vii) through (x) of the Order on Restrictions on Transactions:

- (i) the name of the customer;
- (ii) the date of confirmation; and
- (iii) the specific content of the transaction.

(Record for the Confirmation Referred to in Article 117, Paragraph (1), Item (xxiv)-5)

Article 158-4 The record for the confirmation referred to in Article 117, paragraph (1), item (xxiv)-5 as referred to in Article 157, paragraph (1), item (iii)-4 must state the following matters concerning the content of confirmation referred to in Article 117, paragraph (1), item (xxiv)-5 which has been made:

- (i) the name of the customer;
- (ii) the date of confirmation; and
- (iii) the management method of securities.

(Transaction Diary)

Article 159 (1) The following matters must be stated in the transaction diary referred to in Article 157, paragraph (1), item (iv), concerning the acts set forth in Article 2, paragraph (8), items (i) through (v) of the Act (excluding the act that falls under item (ii), paragraph (27) of that Article) and Article 2, paragraph (8), items (viii) and (ix) of the Act (excluding an act related to intermediary or agency services) and commodity-related market derivatives transactions:

- (i) the date of the contract;
- (ii) the name of the customer who is the entrustor;
- (iii) distinction of whether it is a sale or purchase transaction, or handling public offering or secondary distribution, handling private placement or solicitation for selling, etc. only for professional investors, or a cancellation of transaction or for refund;
- (iv) the issue;
- (v) the volume (if there is no volume, number of transactions or the matter equivalent to volume);
- (vi) the contracted price or unit price, and the amount;
- (vii) the delivery date;
- (viii) the name of the counterparty (limited to cases in which purchase and sale or other transactions of securities is conducted through neither a financial instruments exchange market nor a over-the-counter securities market);
- (ix) for a transaction with a repurchase or resale agreement, the following matters:
  - (a) the fact that the transaction falls under a transaction with a repurchase or resale agreement;
  - (b) distinction of whether it is a transaction for starting or a transaction for ending;
  - (c) distinction of whether it is a transaction with a repurchase or resale agreement based on an entrustment by a customer, or a transaction with a repurchase or resale agreement for raising one's funds;
- (x) for transactions set forth in Article 2, paragraph (21), items (i) and (ii), and Article 2, paragraph (22), items (i) and (ii) of the Act, the following matters:
  - (a) distinction of whether it is the financial instruments business operator's own transaction or a transaction entrusted by a customer (for transactions set forth in Article 2, paragraph (21), items (i) and (ii) of the Act, distinction of whether it is a futures transaction entrusted by a customer or a futures transaction for oneself);
  - (b) the expiration month or delivery date;
  - (c) distinction of whether it is a new transaction, a transaction for a settlement, or cancellation; and

- (d) for transactions set forth in Article 2, paragraph (21), items (i) and (ii) of the Act related to securities other than trading account securities, that fact;
- (xi) for transactions set forth in Article 2, paragraph (21), item (iii) and Article 2, paragraph (22), items (iii) and (iv) of the Act, and the trading of bonds with options, the following matters:
  - (a) distinction of whether it is a financial instruments business operator's own transaction or a transaction based on entrustment by a customer;
  - (b) the exercise period and exercise price;
  - (c) distinction of whether it is a put option or call option;
  - (d) distinction of whether it is a new transaction, or a transaction for exercise of rights, a resale transaction, a buy-back transaction, or a set-off transaction;
  - (e) the expiration month;
  - (f) for transactions set forth in Article 2, paragraph (22), items (iii) and (iv) of the Act, the content of the transaction to be closed by the exercise of options;
- (xii) for transactions set forth in Article 2, paragraph (21), items (iv) and (iv)-2, and Article 2, paragraph (22), item (v) of the Act, the following matters:
  - (a) distinction of whether it is a financial instruments business operator's own transaction or a transaction based on entrustment by a customer; and
  - (b) the transaction period and delivery date;
- (xiii) for transactions set forth in Article 2, paragraph (21), item (v) and Article 2, paragraph (22), item (vi) of the Act, the following matters:
  - (a) distinction of whether it is a financial instruments business operator's own transaction or a transaction based on entrustment by the customer;
  - (b) the exercise period;
  - (c) distinction of whether it is a new transaction, a transaction for exercise of rights, a resale transaction, or a buy-back transaction;
  - (d) for a transaction set forth in Article 2, paragraph (22), item (vi) of the Act, the following matters:
    - 1. the events determined by the parties in advance;
    - 2. the amount of money to be paid upon the occurrence of an event determined by the parties in advance, or its calculation method; and
    - 3. the financial instruments, the rights related to the financial instruments, or monetary claims that the parties have agreed to transfer between them (excluding monetary claims that are financial instruments or rights related the financial instruments).
- (2) The transaction diary referred to in the preceding paragraph must be prepared in accordance with the following conditions:
  - (i) as for the transaction for public offering or secondary distribution, private



- placement or solicitation for selling, etc. only for professional investors, or a cancellation or refund (referred to as "public offering, etc." in the following item), the transaction is to be stated under each of the category;
- (ii) for transactions other than for public offering, etc. they are to be stated separately for sale or purchase of a market transaction (meaning a transaction on a financial instruments exchange market or an over-the-counter securities market; hereinafter the same applies in this item and the following item) and sale or purchase of a transaction other than market transaction separately for financial instrument business operator's own transactions and transactions based on entrustment by a customer;
  - (iii) market transactions are to be stated for each market;
  - (iv) for the delivery date, to state the day when the delivery was actually made; provided, however, that this does not apply to transactions on a financial instruments exchange market which are related to regular transactions prescribed by the rules of a financial instruments exchange;
  - (v) for a cross transaction (meaning sale or purchase made on a financial instruments exchange market (limited to one conducted by the method specified by a financial instruments exchange that operates the financial instruments exchange market), in which the same member, etc. closes a matching sale or purchase at the same time), to state that fact;
  - (vi) for a pre-auction trading of government bonds, when it is not possible to state the issue, unit price, amount, and delivery date (hereinafter referred to as "issues, etc." in this item) at the time of closing the pre-auction trading, the fact that it is a pre-auction trading of government bonds, the scheduled redemption date, and the contracted yield are to be stated, and when the issues, etc. become clear, they are to be stated. In such a case, a record is to be kept in a manner that is possible to identify the date when those matters were entered and the circumstances for that.
  - (vii) transactions related to the proprietary trading system operations is to be kept in a separate file, or recorded in a manner that is possible to identify that they are related to the proprietary trading system operations;
  - (viii) for a transaction for which a give-up action was conducted, an order executing member, etc. is not required to state whether it is a new transaction, a transaction for exercise of rights, a resale transaction, or a buy-back transaction;
  - (ix) transactions related to electronic trading platform management services are to be kept in a separate file, or recorded in a manner that is possible to identify that they are related to the electronic trading platform management services.
- (3) Notwithstanding the provisions of the preceding two paragraphs, the matters set forth in the following items may be stated in accordance with the conditions

set forth in each of those items:

- (i) the matters set forth in the items of paragraph (1) which are related to brokerage for clearing of securities, etc.: a record preserving slips or data sent by financial instruments clearing organizations (if the financial instruments clearing organization conducts collaborating financial instruments obligation assumption services, including collaborating clearing organization, etc.), foreign financial instruments clearing organizations, or entrustors (limited to slips or data that include the entrustor's name, issue, volume, amount, and the contracted date) is to be considered as transaction diary;
  - (ii) the matters set forth in paragraph (1), items (ii) and (viii): for a customer or counterparty for which a document for delivery upon conclusion of contract is not required to be delivered pursuant to the provisions of Article 110, paragraph (1), item (v) or (vi), and the customer or counterparty is different from a person authorized to give investment instructions concerning the assets of the customer or counterparty, to consider the person authorized to give investment instructions as a customer set forth in paragraph (1), item (ii) or counterparty set forth in item (viii) of that paragraph for purchase and sale transaction ordered by and agreed with the person authorized to give investment instructions. In such a case, that fact must be indicated on a transaction diary.
- (4) Concerning the transaction diary referred to in paragraph (1) related to high-speed trading, the provisions of paragraph (2), items (vii) and (ix) do not apply, and the provisions of Article 338, paragraph (7) (excluding item (i)) apply *mutatis mutandis*. In such a case, the term "in accordance with the following conditions" in that paragraph is deemed to be replaced with "in a manner that is possible to identify them as transactions related to high-speed trading, and, in accordance with the following conditions".

(Transaction Records for Intermediary or Agency Services)

Article 160 The transaction records for intermediary or agency services referred to in Article 157, paragraph (1), item (v) must state the following matters, in connection with the acts set forth in Article 2, paragraph (8), items (ii) through (iv) of the Act (limited to acts related to intermediary or agency services):

- (i) the date when the intermediary or agency services has been provided;
- (ii) the customer's name;
- (iii) distinction of whether it is for intermediary or agency services;
- (iv) the content of the intermediary or agency services; and
- (v) the amount of fee, remuneration, or any other consideration to be received in connection with the intermediary or agency services.

(Transaction Records for Brokerage for Clearing of Securities)

Article 161 The transaction records for brokerage for clearing of securities, etc. referred to in Article 157, paragraph (1), item (vi) must state the following matters concerning brokerage for clearing of securities, etc. (excluding brokerage for clearing of securities, etc. prescribed in Article 2, paragraph (27), item (ii) of the Act):

- (i) the name of the entrustor;
- (ii) the issue;
- (iii) the volume (if there is no volume, number of transactions or the matter equivalent to volume);
- (iv) the delivery price;
- (v) the delivery date; and
- (vi) the party receiving the delivery.

(Transaction Records for Public Offering or Secondary Distribution, or Private Placement or Solicitation for Selling, etc. Only for Professional Investors)

Article 162 (1) The transaction records for a public offering or secondary distribution, or a private placement or solicitation for selling, etc. only for professional investors referred to in Article 157, paragraph (1), item (vii) must state the following matters concerning the act set forth in Article 2, paragraph (8), item (vii) of the Act and the act set forth in item (viii) of that paragraph (limited to those conducted by specifying a period of offer for purchase or sale of securities related to the acts), and the act set forth in Article 1-12, item (i) of the Order:

- (i) the customer's name;
- (ii) the issue;
- (iii) distinction of whether the transaction is for public offering or secondary distribution, private placement or solicitation for selling, etc. only for professional investors, or purchase, cancellation or refund (referred to as "public offering, etc." in the following paragraph);
- (iv) the volume of orders received (if there is no volume, number of orders or the matter equivalent to volume; the same applies in paragraph (3), item (i)), the unit price and the amount of orders received;
- (v) the agreed volume (if there is no volume, number orders or the matter equivalent to volume; the same applies in paragraph (3), item (i)), the contracted unit price and the contracted amount;
- (vi) the date and time of receipt of the orders; and
- (vii) the contracted date and time.

(2) The transaction records for public offering or secondary distribution, or private placement or solicitation for selling, etc. only for professional investors referred to in the preceding paragraph must be prepared in accordance with

the following conditions:

- (i) the record is to be prepared promptly upon the receipt of applications related to public offering, etc., in principle;
- (ii) if the contract has not been closed, to indicate that fact;
- (iii) if the transaction records for public offering or secondary distribution, or private placement or solicitation for selling, etc. only for professional investors are to be prepared as an electronic or magnetic record, it is to be prepared in accordance with the following conditions, beyond what is set forth in the preceding two items:
  - (a) the fact that the matters set forth in the items of the preceding paragraph (excluding items (v) and (vii)) are entered in a computer upon the receipt of an application related to public offering, etc.; and
  - (b) the fact that the date and time when the application related to public offering, etc. was entered in the computer are automatically recorded.
- (3) Notwithstanding the provisions of the preceding two paragraphs, the matters set forth in the following items may be stated in accordance with the conditions set forth in each of those items:
  - (i) the matters set forth in paragraph (1), items (iv) through (vii) which are related to investment trust beneficiary certificates, etc. without price fluctuation on the same day: volume of orders received, contracted volume, date of the receipt of the order, and contracted date is to be stated in lieu of the matters set forth in each of those items;
  - (ii) matters prepared as an electronic or magnetic record pursuant to the provisions of item (iii) of the preceding paragraph: if the matters prepared as an electronic or magnetic record is to be displayed on a computer screen or printed out on a document, they are to be displayed or printed as a list.

(Transaction Records for Handling of Public Offering or Secondary Distribution, or Handling of Private Placement or Solicitation for Selling, etc. Only for Professional Investors)

Article 163 (1) In the transaction records for handling of public offering or secondary distribution, or handling of private placement or solicitation for selling, etc. only for professional investors referred to in Article 157, paragraph (1), item (viii), the following matters must be stated in relation to the acts set forth in Article 2, paragraph (8), item (ix) of the Act:

- (i) the customer's name;
- (ii) the issue;
- (iii) distinction of whether the transaction is for handling of public offering or secondary distribution, handling of private placement or solicitation for selling, etc. only for professional investors, or a cancellation or a refund (referred to as "public offering, etc." in the following paragraph);

- (iv) the volume of orders received (if there is no volume, number of orders or the matter equivalent to volume; the same applies in paragraph (3), item (i)), the unit price of orders received, and the amount of orders received;
  - (v) the agreed volume (if there is no volume, number of orders or the matter equivalent to volume; the same applies in paragraph (3), item (i)), the contracted unit price and the contracted amount;
  - (vi) the date and time of receipt of orders; and
  - (vii) the contracted date and time.
- (2) The transaction records for handling of public offering or secondary distribution, or handling of private placement or solicitation for selling, etc. only for professional investors, referred to in the preceding paragraph, must be prepared in accordance with the following conditions:
- (i) it is prepared promptly upon the receipt of an application for public offering, etc., in principle;
  - (ii) if the contract was not closed, to indicate that fact;
  - (iii) if transaction records for handling of public offering or secondary distribution, or handling of private placement or solicitation for selling, etc. only for professional investors is to be prepared as an electronic or magnetic record, it is to be prepared in accordance with the following conditions, beyond what is set forth in the preceding two items:
    - (a) the fact that the matters set forth in the items of the preceding paragraph (excluding items (v) and (vii)) are entered in a computer upon the receipt of an application for public offering, etc.; and
    - (b) the date and time when the application for public offering, etc. has been entered on a computer are to be automatically recorded.
- (3) Notwithstanding the provisions of the preceding two paragraphs, the matters set forth in the following items may be stated in accordance with the conditions set forth in each of those items:
- (i) the matters specified in paragraph (1), items (iv) through (vii) concerning investment trust beneficiary certificates, etc. without price fluctuation on the same day: the volume of orders received, the contracted volume, the date of the receipt of orders, and the contracted date are to be stated in lieu of the matters set forth in each of those items;
  - (ii) the matters prepared as an electronic or magnetic record pursuant to the provisions of item (iii) of the preceding paragraph: if the matters prepared as an electronic or magnetic record is to be displayed on the screen of a computer or printed out on a paper, the matters are to be displayed or printed as a list.

#### (Customer Ledgers)

Article 164 (1) The customer ledger referred to in Article 157, paragraph (1),

item (ix) must state the matters set forth in the following items concerning customer's transactions (excluding transactions related to intermediary or agency services, and to brokerage for clearing of securities, etc.) in accordance with the category of the transactions set forth in each of those transactions:

- (i) a margin transaction, when-issued transaction (excluding when-issued transaction of government bonds), trading of bonds with options, market derivatives transactions and over-the-counter derivatives transactions (referred to as "margin transactions, etc." in item (ii) of the following paragraph): the following matters:
  - (a) the customer's name;
  - (b) the serial number of the consent letter;
  - (c) the issue;
  - (d) the type of transactions (excluding Article 158, paragraph (1), item (iii), sub-item (b), sub-item (c), sub-item (d), 2., sub-item (e), 3. and sub-item (g), 2.);
  - (e) distinction of whether it is a sale or purchase transaction;
  - (f) the contracted date;
  - (g) volumes (if there is no volume, the number of transactions or the matter equivalent to volume);
  - (h) the contracted price or unit price, and the amount;
  - (i) the commission fee;
  - (j) interest expense for margin transactions or interest income for margin transactions, or share borrowing fee or share lending fee;
  - (k) deposits and withdrawals, and the balance;
  - (l) matters concerning guarantee deposits received, customer margins, trading margins or other collateral properties (distinction of whether it is money or substitute securities, etc., the date of receipt, the return date, and the issue, volume, and the amount);
- (ii) a transaction other than those set forth in the preceding item: the following matters:
  - (a) the customer's name;
  - (b) the contracted date;
  - (c) the issue;
  - (d) the volume (if there is no volume, number of transactions or the matter equivalent to volume), the unit price, and the price;
  - (e) the delivery date;
  - (f) the amount of the debit, credit, and balance;
  - (g) distinction of whether it is a transaction for starting or a transaction for ending;
  - (h) for a transaction with a repurchase or resale agreement, that fact.

(2) The customer ledger referred to in the preceding paragraph must be prepared

in accordance with the following conditions:

- (i) the ledger is divided by transaction set forth in the items of the preceding paragraph (for market derivatives transactions and over-the-counter derivatives transactions, by transaction set forth in the items of Article 2, paragraph (21) and of paragraph (22) of the Act), and is to state the transaction progress for each customer;
  - (ii) the amount of profit and loss accrued from the margin transaction, etc. and the amount equivalent to dividend income are transferred to the customer ledger for other transactions;
  - (iii) if it is possible to separately search for the serial number of consent letters by customer, the entry of the serial numbers may be omitted;
  - (iv) for the commission fee concerning a transaction for which a give-up action has been performed, to state the commission fee which a clearance executing member, etc. has received directly from a customer; and
  - (v) an order executing member, etc. is not required to prepare a customer ledger for transactions for which a give-up action has been performed; provided, however, that if an order executing member, etc. has directly received commission fees from a customer, to state the customer's name, the serial number of the consent letter, the amount of the commission fee, deposits and withdrawals, and the balance.
- (3) Notwithstanding the provisions of the preceding two paragraphs, the matters set forth in the following items may be stated in accordance with the conditions set forth in each of those items:
- (i) the matters set forth in the items of paragraph (1) that concern handling of problematic conduct: to state the transaction status for each problematic conduct handled for the matters set forth in each of those items. In such a case, it is possible to independently prepare and preserve the customer ledger on handling of problematic conduct;
  - (ii) the contracted price or unit price set forth in paragraph (1), item (i), sub-item (h), and the unit price set forth in item (ii), sub-item (d) of that paragraph: if a prior consent on bundling the orders for the same issue on the same day from a customer to whom a document for delivery upon conclusion of contract is not delivered pursuant to the provisions of Article 110, paragraph (1), item (v) or (vi) has been obtained, to state the average amount of the contracted price or unit price for the transaction of that issue on the same day. In such a case, that fact must be indicated in the customer ledger.

(Book on Serial Numbers of Delivered Securities)

Article 165 (1) The book on the serial numbers of delivered securities referred to in Article 157, paragraph (1), item (x) must state the following matters

concerning any and all delivered securities (meaning instruments or certificates set forth in the items of Article 2, paragraph (1) of the Act, electronically recorded transferable rights, or rights prescribed in Article 1-12, item (ii) of the Order for which delivery have been made, and excluding those entered into the book on details of securities in safe custody referred to in Article 157, paragraph (1), item (xi), foreign securities whose code or number cannot be identified at the time of delivery, registered national government bonds, and corporate bonds, etc. as defined in Article 2, paragraph (1) of the Act on Book-Entry Transfer of Corporate Bonds and Shares handled by a book-entry transfer institution as defined in paragraph (2) of that Article):

- (i) the date of receipt;
  - (ii) the name of the recipient;
  - (iii) the issue, volume, face value, code, number, and other matters necessary for identifying the instruments or certificates, electronically recorded transferable rights, or rights;
  - (iv) if the instruments or certificates are in registered form, the name of the holder;
  - (v) the date of delivery; and
  - (vi) the name of the recipient of delivery.
- (2) The book on the serial numbers of delivered securities may be prepared in accordance with the following conditions:
- (i) in lieu of entering the matters set forth in the items of the preceding paragraph, they may be recorded by using microfilm; and
  - (ii) if the matters set forth in the items of the preceding paragraph are entered into a voucher and the voucher is filed in order of the date, the file of the vouchers may be considered to be the serial number book for delivered securities.

(Book on Details of Securities in Safe Custody)

Article 166 (1) The book on details of the securities in safe custody referred to in Article 157, paragraph (1), item (xi) must state the following matters concerning instruments or certificates set forth in the items of Article 2, paragraph (1) of the Act or electronically recorded transferable rights which has been deposited by customers as an act set forth in Article 2, paragraph (8), item (xvi) of the Act (if commodity-related business is conducted, including commodities deposited by customers as an act set forth in paragraph (8), item (xvi) of that Article or instruments or certificates issued for the commodities deposited), and the rights prescribed in Article 1-12, item (ii) of the Order which has been deposited by customers as an act set forth in that item:

- (i) the date deposit was accepted;
- (ii) the name of the depository;



- (iii) the issue, volume, face value, code, number, and other necessary information for identifying the instruments or certificates, electronically recorded transferable rights, or the rights;
  - (iv) if the instruments or certificates are in registered form, the name of the holder;
  - (v) the method of custody;
  - (vi) the date of withdrawal; and
  - (vii) the grounds for withdrawal.
- (2) The book on details of the securities, etc. in safe custody referred to in the preceding paragraph must be prepared in accordance with the following conditions:
- (i) the book is to be prepared for each customer;
  - (ii) the grounds for withdrawal are to be stated in a manner that is possible to specifically identify the grounds for the customer's request for restitution, the customer's request for selling the securities, and the customer's instruction to replace the securities with securities that substitute for security money, and other grounds for withdrawal;
  - (iii) for sale or purchase of securities that are kept by joint deposit of securities, to state the matters other than the face value, code, number, and holder's name, and must clearly indicate the fact that the securities are kept by joint deposit of securities.

(Accounting Ledger for Trading Products)

Article 167 (1) A trading products ledger referred to in Article 157, paragraph (1), item (xiii) must state the following matters:

- (i) for a ledger of trading securities, etc. (meaning the trading securities, etc. that are the items of a balance sheet; the same applies in items (i) and (iii) of the following paragraph), the following matters:
  - (a) the issue;
  - (b) the contracted date;
  - (c) the delivery date;
  - (d) the counterparty's name (limited to cases in which purchase and sale or other transactions of securities are not conducted through a financial instruments exchange market or an over-the-counter securities market);
  - (e) the classification of debit or credit;
  - (f) volume (if there is no volume, number of transactions, or the matter equivalent to volume), the unit price, and the amount; and
  - (g) the remaining volume and remaining amount;
- (ii) for a ledger of option transactions (meaning a trading of bonds with options, a transaction set forth in Article 2, paragraph (21), item (iii) of the Act (including foreign market derivatives transactions similar to them),

- transactions set forth in paragraph (22), items (iii) and (iv) of that Act; the same applies in item (i) of the following paragraph), the following matters:
- (a) the issue;
  - (b) the exercise period and exercise price;
  - (c) distinction of whether it is a put option or call option;
  - (d) the content of the transaction to be closed by the exercise of options;
  - (e) the contracted date;
  - (f) the delivery date;
  - (g) the counterparty's name (limited to trading of bonds with options and transactions set forth in Article 2, paragraph (22), items (iii) and (iv) of the Act);
  - (h) distinction of whether it is a new transaction, a transaction for exercise of rights, a transaction for waiver of rights, a resale transaction, a buy-back transaction, or a set-off transaction;
  - (i) the classification of debit or credit;
  - (j) volume (if there is no volume, number of transactions or the matter equivalent to volume), the unit price, and the amount of consideration or option premium; and
  - (k) the remaining volume and remaining amount;
- (iii) for a ledger of futures transactions (meaning transactions set forth in Article 2, paragraph (21), items (i) and (ii) of the Act (including foreign market derivatives transactions similar to them); hereinafter the same applies in this Article) and a ledger of forward transactions (meaning transactions set forth in paragraph (22), items (i) and (ii) of that Article; hereinafter the same applies in this Article), the following matters:
- (a) the issue;
  - (b) the expiration month;
  - (c) the contracted date;
  - (d) the delivery date;
  - (e) the counterparty's name (limited to forward transactions);
  - (f) distinction of whether it is a new transaction, a transaction for resale, a buy-back transaction, or settlement of a transaction (for a futures transaction, distinction of whether it is a new transaction, a settlement of a transaction, or a cancellation of a transaction);
  - (g) distinction of whether it is a sale or purchase transaction;
  - (h) volume (if there is no volume, number of transactions or the matter equivalent to volume), the contracted amount, contracted unit price, and settlement price; and
  - (i) the remaining volume, unsettled contracted amount, market value, market unit price, and amount equivalent to deemed profit and loss;
- (iv) a ledger of a transaction set forth in Article 2, paragraph (21), item (iv) of

the Act (including foreign market derivatives transactions similar to the transaction), a transaction set forth in item (iv)-2 of that paragraph, and a transaction set forth in Article 2, paragraph (22), item (v) of the Act, the following matters:

- (a) the issue;
  - (b) the contracted interest rate, etc. or contracted financial index of financial instruments;
  - (c) the contracted date;
  - (d) the transaction period;
  - (e) the counterparty's name (limited to the case of a transaction set forth in Article 2, paragraph (22), item (v) of the Act);
  - (f) the amount fixed as principal (excluding the case of the transaction set forth in Article 2, paragraph (21), item (iv)-2 of the Act) or the quantity fixed for commodities (limited to the case of a transaction set forth in that item);
  - (g) distinction of whether it is a new transaction, a resale transaction, a buy-back transaction, or settlement of a transaction;
  - (h) the amount equivalent to deemed profit and loss; and
  - (i) the discount interest rate (excluding the case of the transaction specified in Article 2, paragraph (21), item (iv)-2 of the Act);
- (v) for a ledger of the transaction set forth in Article 2, paragraph (21), item (v) of the Act (including foreign market derivatives transactions similar to the transaction) and the transaction set forth in Article 2, paragraph (22), item (vi) of the Act, the following matters:
- (a) the issue;
  - (b) the contracted date;
  - (c) the counterparty's name (limited to the case of a transaction set forth in Article 2, paragraph (22), item (vi) of the Act);
  - (d) the exercise period;
  - (e) the event determined by the parties in advance (meaning any of the events set forth in Article 2, paragraph (21), item (v) and Article 2, paragraph (22), item (vi) of the Act; the same applies in sub-item (f));
  - (f) the amount of money to be paid upon the occurrence of an event determined by the parties in advance, or its calculation method;
  - (g) the financial instruments, the rights related to the financial instruments, or monetary claims (the monetary claims exclude the claims that is a financial instrument or the rights related to them) which the parties have promised to transfer;
  - (h) distinction of whether it is a new transaction, a transaction for exercise of rights, a resale transaction, or a buy-back transaction; and
  - (i) the amount of consideration;

- (vi) for a ledger of a transaction similar to the transactions set forth in item (ii) through the preceding item, the following matters:
  - (a) the issue;
  - (b) the contracted date;
  - (c) the delivery date;
  - (d) the name of the counterparty; and
  - (e) the matters equivalent to those set forth in item (ii) through the preceding item.
- (2) The trading products ledger referred to in the preceding paragraph must be prepared in accordance with the following conditions:
  - (i) for the ledger on trading securities, etc., option transactions, futures transactions, and forward transactions, to independently state the progress of each transaction by issue (excluding the cases in which the matters on underwriting of securities are to be stated in a batch based on a schedule that separately states the matters to be stated);
  - (ii) for the transaction set forth in item (vi) of the preceding paragraph, to state the matters by appropriately categorizing them by the type of transaction, index related to the transaction, transaction period, etc.; and
  - (iii) for trading securities, etc., not to enter matters on a transaction with a repurchase or resale agreement, and to state them in the ledger of transactions with a repurchase or resale agreement referred to in Article 157, paragraph (1), item (xiv).
- (3) Notwithstanding the provisions of the preceding two paragraphs, the matters set forth in the following items may be stated in accordance with the conditions specified in each of those items:
  - (i) among the matters set forth in the items of paragraph (1), distinction of whether the transaction is a new transaction, cancellation of a transaction, or a resale transaction, and the settlement amount: to omit the statement on those matters by separately manage the account for the settlement amount concerning those matters;
  - (ii) the matters set forth in paragraph (1), item (i), sub-item (a) concerning pre-auction trading of government bonds: the fact that the transaction is a pre-auction trading of government bonds and the scheduled redemption date are to be stated in lieu of the matters set forth in sub-item (a) of that item;
  - (iii) the matters set forth in paragraph (1), item (i), sub-item (d), item (ii), sub-item (g), item (iii), sub-item (e), item (iv), sub-item (e), item (v), sub-item (c), and item (vi), sub-item (d): if the person is a counterparty to whom a document for delivery upon conclusion of contract is not required to be delivered pursuant to the provisions of Article 110, paragraph (1), items (v) and (vi), and the counterparty is different from the person authorized to give investment instructions on the counterparty's assets, the person authorized

- to give investment instructions is to be treated as the counterparty referred to in the items of paragraph (1) purchase and sale transaction ordered by and concluded with the person authorized to give investment instructions. In such a case, that fact must be stated in the trading products ledger;
- (iv) the matters set forth in paragraph (1), item (iii): if a financial instruments business operator has prepared a transaction diary referred to in Article 157, paragraph (1), item (iv) by separating their own transactions set forth in that item, they are to enter the matters set forth in paragraph (1), item (iii) into the transaction diary, in lieu of entering them into the trading products ledger;
  - (v) the matters set forth in paragraph (1), item (iii), sub-item (i), the matters set forth in item (iv), sub-items (h) and (i) of that paragraph, the matters set forth in item (vi), sub-item (e) of that paragraph which are equivalent to the matters set forth in item (iii), sub-item (i) of that paragraph, and the matters set forth in item (vi), sub-item (e) of that paragraph which are equivalent to the matters specified in item (iv), sub-items (h) and (i) of that paragraph: to omit the entry of those matters, except at the end of a month or at the end of a business year.

(Ledger of Transactions with a Repurchase or Resale Agreement)

- Article 168 (1) The following matters must be entered into a ledger of transactions with a repurchase or resale agreement referred to in Article 157, paragraph (1), item (xiv) for trading securities related to transactions with a repurchase or resale agreement among trading trading securities:
- (i) the date of delivery;
  - (ii) the contracted date;
  - (iii) the issue;
  - (iv) the name of the counterparty;
  - (v) distinction of whether it is a transaction for starting or transaction for ending;
  - (vi) the classification of debit or credit;
  - (vii) the volume, unit price, accrued interest, amount, and Gensaki rate;
  - (viii) the outstanding volumes and outstanding amount included in the debit section;
  - (ix) the remaining volume and the remaining amount on the credit side.
- (2) In preparing the ledger of transactions with a repurchase or resale agreement referred to in the preceding paragraph, the progress of transactions with a repurchase or resale agreement must be independently stated for each transaction.
- (3) Notwithstanding the provisions of the preceding two paragraphs, entry of the matters set forth in paragraph (1), items (viii) and (ix) may be omitted except

at the end of a month or at the end of a business year.

(Transaction Records for Agency or Intermediation Services for Conclusion of Investment Advisory Contract or Discretionary Investment Contract)

Article 169 The following matters must be stated in a transaction record for agency or intermediation services for concluding an investment advisory contract or a discretionary investment contract referred to in Article 157, paragraph (1), item (xvi), sub-item (d), in relation to the act set forth in Article 2, paragraph (8), item (xiii) of the Act:

- (i) the date when the agency or intermediation services have been provided;
- (ii) the customer's name;
- (iii) distinction of whether they are agency or intermediation services;
- (iv) the content of the agency or intermediation services; and
- (v) the amount of the fees, remuneration, or other consideration to be received for the agency or intermediation services.

(Investment Statements)

Article 170 (1) The following matters concerning investment (including investment made by a person that has been entrusted all or part of the authority to make an investment) of investment property (excluding investment trust property specified in Article 3, item (ii) of the Act on Investment Trusts and Investment Corporations) must be stated in investment statements referred to in Article 157, paragraph (1), item (xvii), sub-item (c):

- (i) the date of transaction;
- (ii) the type of transaction;
- (iii) the issue;
- (iv) distinction of whether the transaction is a sale or purchase transaction (for transactions set forth in the following sub-items (a) through (e), the transaction specified in each of those sub-items (a) through (e); the same applies in the following Article):
  - (a) a transaction set forth in Article 2, paragraph (21), item (ii) of the Act (including foreign market derivatives transactions similar to the transaction) and a transaction set forth in Article 2, paragraph (22), item (ii) of the Act: a person that becomes the party to pay money or to receive money when the actual figure exceeds the agreed figure;
  - (b) a transaction set forth in Article 2, paragraph (21), item (iii) of the Act (including foreign market derivatives transactions similar to the transaction) and a transaction set forth in Article 2, paragraph (22), items (iii) and (iv) of the Act: a person that becomes the party to grant options or to acquire options;
  - (c) a transaction set forth in Article 2, paragraph (21), item (iv) of the Act

- (including foreign market derivatives transactions similar to the transaction) and a transaction set forth in Article 2, paragraph (22), item (v) of the Act: a person that becomes the party to pay money or to receive money when the interest rate, etc. of the financial instrument or financial index agreed with the counterparty rises during the agreed period; and
  - (d) a transaction set forth in Article 2, paragraph (21), item (iv)-2 of the Act: a person that becomes the party to pay money or to receive money when a financial index related to the instruments agreed with the counterparty rises during the agreed period;
  - (e) a transaction set forth in Article 2, paragraph (21), item (v) of the Act (including foreign market derivatives transactions similar to the transaction) and a transaction set forth in Article 2, paragraph (22), item (vi) of the Act: a person that becomes the party to pay money or receive money when an event determined by the parties in advance occurs (meaning any of the events set forth in Article 2, paragraph (21), item (v) and Article 2, paragraph (22), item (vi) of the Act);
  - (v) volume (if there is no volume, number of transactions or the matter equivalent to volume);
  - (vi) the contracted price;
  - (vii) the name of the counterparty to the transaction; and
  - (viii) if another person keeps custody of the investment property, the trade name or name of that other person, and the day when the person was informed of the content of the investment.
- (2) The investment statement referred to in the preceding paragraph must be prepared for each investment property.
- (3) Concerning the investment statement referred to in paragraph (1) related to high-speed trading, the provisions of Article 338, paragraph (7) (excluding item (i)) apply mutatis mutandis. In such a case, the term "in accordance with the following conditions" in that paragraph is deemed to be replaced with "in a manner that is possible to identify that the transaction concerns high-speed trading, and, in accordance with the following conditions".

#### (Purchase Order Forms)

- Article 171 (1) In a purchase order form referred to in Article 157, paragraph (1), item (xvii), sub-item (d), the following matters concerning the transaction conducted as the investment of investment property and the act set forth in Article 16, paragraph (1), item (ii) of the Cabinet Office Order on Definitions under Article 2 of the Financial Instruments and Exchange Act:
- (i) the name of the investment property or the name of the property related to the investment specified in Article 16, paragraph (1), item (ii) of the Cabinet Office Order on Definitions under Article 2 of the Financial Instruments and

- Exchange Act (hereinafter referred to as "foreign investment property"), or other necessary matters for identifying investment property or foreign investment property;
- (ii) the type of transaction;
  - (iii) the issue;
  - (iv) distinction of whether the transaction is a sale or purchase transaction;
  - (v) volume of the orders placed (if there is no volume, number of orders, or the matter equivalent to volume);
  - (vi) agreed volume (if there is no volume, number of orders, or the matter equivalent to volume);
  - (vii) distinction of whether it is a limit order or a market order (for a limit order, including the price and expiration date of the order (excluding an order whose expiration date comes on the day the order is placed));
  - (viii) the date and time the order is placed (in conducting an act specified in Article 16, paragraph (1), item (ii) of the Cabinet Office Order on Definitions under Article 2 of the Financial Instruments and Exchange Act, the date and time the order is placed and the date and time the order is received);
  - (ix) the contracted date and time;
  - (x) the contracted price; and
  - (xi) if another person keeps custody of investment property, the trade name or name of that person.
- (2) A purchase order form referred to in the preceding paragraph must be prepared in accordance with the following conditions:
- (i) the form is prepared upon the placement of an order;
  - (ii) the forms are to be filed in order of date and preserved;
  - (iii) if two or more investment properties (excluding investment property related to the business of conducting an act set forth in Article 2, paragraph (8), item (xiv) of the Act) are jointly invested, to state the agreed volume for each of their investment property, as well as its allocation criteria;
  - (iv) if orders for the same issue related to two or more investment properties or foreign investment properties are to be placed with a financial instruments business operator together (referred to as "placement of bulk order" in the following paragraph), their purchase order forms are to be filed in order of date and preserved;
  - (v) if a purchase order form is prepared as an electronic or magnetic record, it is to be prepared in accordance with the following conditions, beyond what is set forth in the preceding items:
    - (a) the matters set forth in the items of the preceding paragraph (excluding item (vi), and items (viii) through (x)) are to be entered into a computer before placing an order, and the matters set forth in item (viii) of the preceding paragraph are to be entered into a computer at the time of



- placing an order; and
- (b) the date and time when the content of the order placed has been entered into a computer are to be automatically recorded.
- (3) Notwithstanding the provisions of the preceding two paragraphs, the matters set forth in the following items may be stated in accordance with the conditions set forth in each of those items:
- (i) the name of the investment property or foreign investment property related to placement of bulk order, the necessary matters for identifying other investment properties or foreign investment, and the trade name or name of a person that is taking custody of investment property or foreign investment property: the entry of those matters may be omitted; provided, however, that in those cases, a document clarifying the content of the matters to be stated in a purchase order form for each investment property or foreign investment property is to be attached;
  - (ii) the contracted price: for transactions of the same issue conducted on the same day, if there is a prior agreement with a financial instruments business operator with whom orders are placed that the average amount of the unit price for the transactions is to be the contract price, to state the average amount;
  - (iii) the agreed time: if the contracted price was stated pursuant to the preceding item, the agreed time is to be omitted;
  - (iv) the matters set forth in the items of paragraph (1) concerning investment trust beneficiary certificates, etc. without price fluctuation on the same day: to state the issue, distinction of whether the transaction is for public offering or a partial cancellation, or whether the transaction is a purchase or sale transaction, the volume of the orders placed, the day when the orders were placed, and the contracted date, in lieu of the matters set forth in each of those items; and
  - (v) matters prepared as an electronic or magnetic record pursuant to the provisions of item (v) of the preceding paragraph: when the matters prepared as an electronic or magnetic record is displayed on the screen of a computer or printed out on a paper, to display or print out the matters as a list.
- (4) Notwithstanding the provisions of the preceding three paragraphs, a transaction contract for a transaction conducted as an investment of investment property (limited to a contract stating the name of the investment property or other matters necessary for identifying the investment property, the contract date, and other matters that enable to identify the content of the investment) may be substituted for the purchase order form referred to in paragraph (1).
- (5) For the purchase order form referred to in paragraph (1) concerning high-speed trading, the provisions of paragraph (2), item (ii), item (iv), and item (v),

paragraph (3), item (v), and the preceding paragraph do not apply, and the provisions of Article 338, paragraphs (6) and (7) apply *mutatis mutandis*. In such a case, the term "in accordance with the following conditions" in that paragraph is deemed to be replaced with "in a manner that is possible to identify that the transaction is related to high-speed trading, and, in accordance with the following conditions".

(Business Report)

- Article 172 (1) The business report a financial instruments business operator submits pursuant to the provisions of Article 46-3, paragraph (1) of the Act must be prepared by using the Appended Form No. 12.
- (2) When a financial instruments business operator prepares a business report referred to in the preceding paragraph, they are to comply with the business accounting practices generally accepted as fair and appropriate.

(Report on Status of Business or Property)

- Article 173 Pursuant to the provisions of Article 46-3, paragraph (2) of the Act, a financial instruments business operator must submit the report set forth in each of the following items (if the financial instruments business operator is a foreign corporation, excluding the report set forth in item (ii)) to the Commissioner of the Financial Services Agency or the competent Director-General of a Local Finance Bureau, by no later than the due date for submitting the report specified in each of those items:
- (i) a report on associated companies prepared using the Appended Form No. 13: within four months after the end of each business year; and
  - (ii) a report on international business prepared using the Appended Form No. 14: within four months after the end of each business year.

(Matters to Be Stated in Explanatory Documents)

- Article 174 The matters specified by Cabinet Office Order as prescribed in Article 46-4 of the Act are as follows:
- (i) the following matters concerning the profile and organization of a financial instruments business operator:
    - (a) the trade name, the registration date, and the registration number;
    - (b) the history and organization of management;
    - (c) the name of the top ten shareholders in descending order of the numbers of shares held by them, the number of shares held by them, and the ratio of the number of voting rights to the voting rights held by all the shareholders, etc.;
    - (d) the matters set forth in Article 29-2, paragraph (1), items (iii) through (xii) of the Act; and

- (e) the content of the complaint processing measures and dispute resolution measures concerning the business specified in Article 37-7, paragraph (1), item (i), sub-item (b), item (ii), sub-item (b), item (iii), sub-item (b), or item (iv), sub-item (b) of the Act;
- (ii) the following matters concerning the status of business of a financial instruments business operator;
  - (a) an outline of the business for the most recent business year;
  - (b) the following matters as an indicator of the status of the business for the most recent three business years:
    - 1. the operating profit and the net operating profit;
    - 2. the ordinary profit or the ordinary loss;
    - 3. the net profit for the current year or the net loss for the current year;
    - 4. the amount of stated capital, and the total number of issued shares (for a foreign corporation, the amount of stated capital and the amount of brought-in capital);
    - 5. a breakdown of the commission received;
    - 6. a breakdown of the trading profit or loss (meaning the trading profit or loss from among the accounting items on the profit and loss statement), and the breakdown of the profit or loss related to their own transactions;
    - 7. the trading volume of share certificates (including the entrusted volume of brokerage for clearing of securities, etc. (excluding the handling volume of brokerage for an entrustment of brokerage for clearing of securities, etc.)) and the handling volume of the acceptance of its entrustment (excluding the volume of accepted entrustment of brokerage for clearing of securities, etc., and including the handling volume of brokerage for entrustment of the brokerage for clearing of securities, etc.);
    - 8. the underwriting volume and the secondary distribution volume of national government bond securities, corporate bond certificates, share certificates and beneficiary certificates for investment trust and the handling volume of public offering, secondary distribution, private placement, or solicitation for selling, etc. only for professional investors;
    - 9. the status of other businesses (meaning the businesses set forth in the items of Article 35, paragraph (2) of the Act or the businesses that has obtained the approval referred to in paragraph (4) of that Article; the same applies hereinafter);
    - 10. the capital adequacy ratio on the last day of each business year; and
    - 11. the total number of employees and sales representatives on the last day of each business year.

- (c) the status of performance-based compensation of officers stated in the business report referred to in Article 172, paragraph (1).
- (iii) the following matters as matters concerning the status of the property of the financial instruments business operator in the most recent two business years:
  - (a) the balance sheet (including the related notes), the profit and loss statement (including the related notes) and the statement of changes in shareholders' equity, etc. (including the related notes);
  - (b) the following matters on the last day of each business year:
    - 1. the main lender of money, and the borrowed amount;
    - 2. the acquisition value, the market value, and the profit or loss from valuation, of the securities held (excluding securities managed by considering them as belonging to trading products for accounting (meaning trading product in the items of balance sheet; the same applies in 3.)); and
    - 3. the contract value, the market value, and the profit or loss from valuation, of the derivatives transactions (excluding the transactions managed by considering them as belonging to trading products for accounting);
  - (c) if the document set forth in sub-item (a) has been audited by a financial auditor based on the provisions of Article 436, paragraph (2) of the Companies Act, that fact; and
  - (d) if audit certification by a certified public accountant or an audit corporation has been received for the documents set forth in sub-item (a) based on the provisions of Article 193-2 of the Act, that fact;
- (iv) the following matters concerning the status of the management of the financial instruments business operator:
  - (a) an outline of the status of internal management; and
  - (b) the quantity or amount of money, securities, or other properties managed pursuant to the provisions of Articles 43-2 through 43-3 of the Act by their type and the status of their management.
- (v) the following matters concerning the status of subsidiary companies as defined in Article 2, item (iii) of the Regulation on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements and affiliated companies as defined in item (vii) of that Article, of a financial instruments business operator (excluding special financial instruments business operators that prepare an explanatory document referred to in Article 57-4 of the Act for the business year pursuant to the provisions of that Article) (hereinafter referred to as "subsidiary company, etc." in this item):
  - (a) the composition of the group of a financial instruments business operator and their subsidiary companies, etc.; and

- (b) the trade name or name of the subsidiary company, etc., the location of the head office or principal office, the amount of stated capital, the total amount of funds or the total amount of contribution, and the business contents, as well as the total number of voting rights held by a financial instruments business operator and other subsidiary companies, etc. and the ratio of the number of voting rights held to the voting rights held by all the shareholders, etc. of the subsidiary company, etc.

(Public Inspection of Explanatory Documents)

Article 174-2 When a financial instruments business operator publicizes explanatory documents by using the internet or other means pursuant to the provisions of Article 46-4 of the Act, the documents must be publicized to enable easy access for investors at all times.

(Financial Instruments Transaction Liability Reserves)

Article 175 (1) A financial instruments business operator must set aside either of the amounts specified in the following items that is smaller, for each business year as financial instruments transaction liability reserves under the provisions of Article 46-5, paragraph (1) of the Act:

(i) the sum of the following amounts:

- (a) the amount equivalent to 0.2/ten thousandth of the total amount of purchase and sale of shares in regard to the purchase and sale, etc. made in the relevant business year (meaning purchase and sale of securities (excluding those made on a financial instruments exchange market), brokerage for purchase and sale of securities (excluding brokerage for clearing of securities), or brokerage for entrustment of purchase and sale of securities on a financial instruments exchange market; the same applies in sub-item (a) of the following item);
- (b) the amount equivalent to 0.006/ten thousandth of the total transaction contract amount of transactions specified in Article 2, paragraph (21), item (ii) of the Act (including foreign market derivatives transactions similar to the transaction; hereinafter the same applies in this Article excluding sub-item (j) of this item and sub-item (j) of the following item), for shares for which acceptances of entrustment, etc. has been made in the relevant business year (excluding acceptance of entrustment of brokerage for clearing of securities, etc. and those made as clearance executing member, etc., and including acceptance of entrustment of brokerage for the entrustment of brokerage for clearing of securities; hereinafter the same applies in this paragraph and Article 189, paragraph (1));
- (c) the amount equivalent to 0.3/ten thousandth of the total amount of consideration for the transaction set forth in Article 2, paragraph (21),

- item (iii) of the Act (including foreign market derivatives transactions similar to the transaction; hereinafter the same applies in this Article excluding sub-item (k) of this item and sub-item (k) of the following item) for the shares for which the acceptance of entrustment, etc. has been made in the relevant business year;
- (d) the amount equivalent to 0.0016/ten thousandth of the total transaction contract amount of the transaction set forth in Article 2, paragraph (21), item (i) of the Act (including foreign market derivatives transactions similar to the transaction; hereinafter the same applies in this Article excluding sub-item (i) of this item and sub-item (i) of the following item) and the transaction set forth in item (ii) of that paragraph for the bond certificates for which the acceptance of entrustment, etc. has been made in the relevant business year;
- (e) the amount equivalent to 0.3/ten thousandth of the total amount of consideration for the transaction set forth in Article 2, paragraph (21), item (iii) of the Act for the bond certificates for which the acceptance of entrustment, etc. has been made in the relevant business year;
- (f) the amount equivalent to 0.0096/ten thousandth of the amount obtained by multiplying the transaction volume of the transaction specified in Article 2, paragraph (21), item (i) of the Act related to the currency for which entrustment, etc. has been accepted in the relevant business year (including a transaction set forth in item (i) of that paragraph effected upon the exercise of the rights granted to one of the parties through the transaction set forth in item (iii) of that paragraph; the same applies in sub-item (i) of this item and sub-items (f) and (i) of the following item) by the amount specified by an exchange (meaning a person that operates a financial instruments market or a foreign financial instruments market; hereinafter the same applies in this Article) as the unit of transaction (for the transaction set forth in item (i) of that paragraph related to the transaction set forth in item (iii) of that paragraph, the amount specified by an exchange as the unit of transaction closed upon the exercise of the rights granted to one of the parties; the same applies in sub-item (i) of this item and sub-items (f) and (i) of the following item);
- (g) the amount equivalent to 0.0012/ten thousandth of the amount obtained by multiplying the transaction volume of the transaction set forth in Article 2, paragraph (21), item (ii) of the Act (including a transaction set forth in item (ii) of that paragraph closed upon the exercise of the rights granted to one of the parties through the transaction set forth in item (iii) of that paragraph; the same applies in sub-item (h) and sub-item (j) of this item and sub-item (g), sub-item (h), and sub-item (j) of the following item) related to the financial index calculated based on the interest rate of the

- claim under the deposit contract, for which entrustment, etc. has been accepted in the relevant business year by the amount specified by an exchange as the unit of transaction (for the transaction set forth in item (ii) of that paragraph related to the transaction set forth in item (iii) of that paragraph, the amount specified by an exchange as the unit of the transaction closed upon the exercise of the right granted to one of the parties; the same applies in sub-item (h) and sub-item (j) of this item and sub-item (g), sub-item (h), and sub-item (j) of the following item); and
- (h) the amount equivalent to 0.0024/ten thousandth of the amount obtained by multiplying the transaction volume of the transaction set forth in Article 2, paragraph (21), item (ii) of the Act related to the financial index calculated based on the discount rate of the negotiable instrument for which entrustment, etc. has been accepted in the relevant business year by the amount specified by the exchange as the unit of transaction.
  - (i) the amount equivalent to 0.01/ten thousandth of the amount obtained by multiplying the transaction volume of the transaction set forth in Article 2, paragraph (21), item (i) of the Act for the commodities for which entrustment, etc. has been accepted in the relevant business year by the amount specified by an exchange as the unit of transaction;
  - (j) the amount equivalent to 0.01/ten thousandth of the amount calculated by multiplying the transaction volume of the transaction set forth in Article 2, paragraph (21), item (ii) of the Act for the financial index related to the commodities for which acceptance of entrustment, etc. has been made in the relevant business year by the amount specified by the exchange as the unit of transaction;
  - (k) the amount equivalent to 0.1/ten thousandths of the total amount of considerations for the transaction set forth in Article 2, paragraph (21), item (iii) of the Act for the commodities for which acceptance of entrustment, etc. has been made in the relevant business year;
  - (ii) the amount obtained by deducting the amount set forth in sub-item (l) from the sum of the amounts set forth in the following sub-items (a) through (k):
    - (a) the amount equivalent to 0.8/ten thousands of the total amount of the purchase and sale in the business year for which the total amount of purchase and sale of shares related to purchase and sale, etc. was the highest, among the relevant business year and each business year that has commenced within two years before the day of the commencement of the relevant business year;
    - (b) the amount equivalent to 0.024/ten thousandth of the total transaction contract amount in the business year for which the total transaction contract amount for the transaction set forth in Article 2, paragraph (21), item (ii) of the Act related to the shares for which entrustment, etc. has

- been accepted, among the relevant business year and each business year that has commenced within two years before the day of the commencement of the relevant business year;
- (c) the amount equivalent to 1.2/ten thousandth of the sum of amount of the considerations in the business year for which the sum of the amount of considerations was the highest for the transaction set forth in Article 2, paragraph (21), item (iii) of the Act related to the shares for which entrustment, etc. has been accepted, among the relevant business year and each business year that has commenced within two years before the day of the commencement of the relevant business year;
  - (d) the amount equivalent to 0.0064/ten thousandth of the total transaction contract amount in the business year for which the total transaction contract amount was the highest for the transaction set forth in Article 2, paragraph (21), items (i) and (ii) of the Act related to bond certificates for which entrustment, etc. has been accepted among the relevant business year and each business year that has commenced within two years before the day of the commencement of the relevant business year;
  - (e) the amount equivalent to 1.2/ten thousandth of the sum of the amount of considerations in the business year for which the sum of the amount of considerations was the highest for the transaction set forth in Article 2, paragraph (21), item (iii) of the Act related to bond certificates for which entrustment, etc. has been accepted among the relevant business year and each business year that has commenced within two years before the day of the commencement of the relevant business year;
  - (f) the amount equivalent to 0.0384/ten thousandth of the amount obtained by multiplying the transaction volume of the transaction set forth in Article 2, paragraph (21), item (i) of the Act related to currency for which entrustment, etc. has been accepted by the amount specified by an exchange as the transaction unit, in the business year for which the amount was the highest among the relevant business year and each business year that has commenced within two years before the day of the commencement of the relevant business year;
  - (g) the amount equivalent to 0.0048/ten thousandth of the amount obtained by multiplying the transaction volume of the transaction set forth in Article 2, paragraph (21), item (ii) of the Act related to the financial index calculated using the interest rate of the claim under a deposit contract for which entrustment, etc. has been accepted by the amount specified by an exchange as the transaction unit, in the business year in which the amount was the highest among the relevant business year and each business year that has commenced within two years before the day of the commencement of the relevant business year;



- (h) the amount equivalent to 0.0096/ten thousandth of the amount obtained by multiplying the transaction volume of the transaction set forth in Article 2, paragraph (21), item (ii) of the Act related to the financial index calculated based on the discount rate of negotiable instruments for which entrustment, etc. has been accepted by the amount specified by an exchange as the transaction unit, in the business year in which the amount was the highest among the relevant business year and each business year that has commenced within two years before the day of the commencement of the relevant business year;
  - (i) the amount equivalent to 0.04/ten thousandth of the amount obtained by multiplying the transaction volume of the transaction set forth in Article 2, paragraph (21), item (i) of the Act related to commodities for which entrustment, etc. has been accepted by the amount specified by an exchange as the transaction unit, in the business year in which the amount was the highest among the relevant business year and each business year that commenced within two years before the day of the commencement of the relevant business year;
  - (j) the amount equivalent to 0.04/ten thousandth of the amount obtained by multiplying the transaction volume of the transaction set forth in Article 2, paragraph (21), item (ii) of the Act related to the financial index concerning commodities for which entrustment, etc. has been accepted by the amount specified by an exchange as the transaction unit in the business year in which the amount was the highest among the relevant business year and each business year that commenced within two years before the day of the commencement of the relevant business year;
  - (k) the amount equivalent to 0.4/ten thousandth of the sum of the considerations for the transaction set forth in Article 2, paragraph (21), item (iii) of the Act related to the commodities, for which entrustment, etc. has been accepted, in the business year in which the sum was the highest, among the relevant business year and each business year that commenced within two years before the day of the commencement of the relevant business year;
  - (l) the amount of the financial instruments transaction liability reserves which has already been set aside (if there is an amount that has been used pursuant to the provisions of Article 46-5, paragraph (2) of the Act, the amount after deducting the amount).
- (2) The cases in which it is possible for the financial instruments transaction liability reserve provided for in Article 46-5, paragraph (2) of the Act to be used are those in which a financial instruments business operator withdraws the amount that is in excess of the sum of the amounts set forth in item (ii), sub-items (a) through (k) of the preceding paragraph, among the financial

instruments transaction liability reserves that has already been set aside on the last day of the business year, or other cases approved by the Commissioner of the Financial Services Agency or the competent Director-General of a Local Finance Bureau.

(Equity Capital)

Article 176 (1) The stated capital and reserves specified in Article 46-6, paragraph (1) of the Act and other amount specified by Cabinet Office Order are as follows:

- (i) the stated capital;
- (ii) deposits for subscription to new shares;
- (iii) the capital surplus;
- (iv) the earned surplus (excluding the estimated amount of outflow of money to outside the company (meaning the estimated amount of dividend and officers' bonuses));
- (v) the valuation difference of other marketable securities (meaning the valuation difference of other marketable securities to be recorded in the net assets section of the balance sheet (meaning other marketable securities specified in Article 8, paragraph (22) of the Regulation on Financial Statements; the same applies in item (vii), sub-item (a) and paragraph (1), item (i) of the following Article) when the valuation difference is to be negative);
- (vi) treasury shares;
- (vii) the following matters of which their sum is less than the amount of basic items (for the debt set forth in sub-item (d), the ceiling is the amount equivalent to 50 percent of the amount of basic items (referred to as "limit of the amount to be included" in sub-item (e)); for the debt set forth in sub-item (e), the ceiling is the amount equivalent to 200 percent of the amount obtained by deducting the amount of deductible assets from the amount of basic items):
  - (a) the valuation difference of other marketable securities (meaning the valuation difference of other marketable securities to be recorded in the net assets section of the balance sheet, when the valuation difference is to be positive) and the securities other than those set forth in the preceding items that are recorded in the net assets section of the balance sheet;
  - (b) the matters set forth in the items of Article 14, paragraph (1);
  - (c) the general loan-loss reserves (limited to the reserves related to the assets belonging to current assets);
  - (d) the long-term subordinated debt (for the long-term subordinated debt with a remaining term of five years or shorter, limited to the debt for which the amount equivalent to 20 percent of the amount at the time when

- the remaining term becomes five years is cumulatively depreciated every year); and
- (e) the short-term subordinated debt (among the long-term subordinated debts (limited to the debt that has all of the natures set forth in the items of paragraph (3)), including the debt equivalent to the sum of the amount exceeding the limit of the amount to be included and the cumulative amount depreciated specified in sub-item (d)).
- (2) The term "long-term subordinated debt" as used in item (vii), sub-items (d) and (e) of the preceding paragraph means subordinated borrowings (meaning borrowed money due to loans for consumption with a special clause of subordinated content on the payment of principal and interest; the same applies hereinafter) or the subordinated corporate bond (meaning corporate bonds with special clause of subordinated content on the payment of principal and interest; the same applies hereinafter) which have all of the following natures:
- (i) collateral is not offered;
  - (ii) the borrowing period or redemption period determined at the time of concluding a contract or the time of issuance exceeds five years;
  - (iii) if there is a special clause on the payment before maturity or premature redemption (hereinafter referred to as the "payment, etc. before maturity" in this Article), the payment, etc. before maturity is to be voluntarily made by a financial instruments business operator that is the debtor, and the payment, etc. before maturity may be made only when the financial instruments business operator has obtained approval from the Commissioner of the Financial Services Agency or the competent Director-General of a Local Finance Bureau; and
  - (iv) there is a special clause on not making a payment of interest when the payment to be made by a financial instruments business operator results in violating the provisions of Article 46-6, paragraph (2) of the Act.
- (3) The term "short-term subordinated debt" as used in paragraph (1), item (vii), sub-item (e) means the subordinated borrowings or the subordinated corporate bonds, which have all of the following natures:
- (i) collateral is not offered;
  - (ii) the borrowing period or redemption period determined at the time of concluding a contract or the time of issuance is two years or longer;
  - (iii) if there is a special clause on payment, etc. before maturity, the payment, etc. before maturity may be made limited to the case in which the payment, etc. before maturity is voluntarily made by the financial instruments business operator that is the debtor, and, the financial instruments business operator has obtained approval for making the payment, etc. before maturity from the Commissioner of the Financial Services Agency or the competent

- Director-General of a Local Finance Bureau; and
- (iv) there is a special clause stating that payment of principal or interest will not be made when the payment of principal or interest by the financial instruments business operator results in violating the provisions of Article 46-6, paragraph (2) of the Act.
- (4) If the following cases, for the long-term subordinated debt (meaning the long-term subordinated debt prescribed in paragraph (2); hereinafter the same applies in this Article) or the short-term subordinated debt (meaning the short-term subordinated debt prescribed in the preceding paragraph; hereinafter the same applies in this Article), the amount specified in each of the items must be deducted from the amount of the long-term subordinated debt or the amount of the short-term subordinated debt:
- (i) when the lender of the subordinated borrowings is a subsidiary company, etc.: the amount of the subordinated borrowings;
  - (ii) when the holder of the subordinated corporate bonds (including a person holding subordinated corporate bonds through trust property; the same applies in the following item) is the financial instruments business operator themselves or their subsidiary company, etc.: the amount of the subordinated corporate bonds;
  - (iii) if the financial instruments business operator intentionally provides funds to the lender of subordinated borrowings or the holder of subordinated corporate bonds: the amount of the funds (if the amount of the funds exceeds the sum of the amount of the subordinated borrowings and the amount of the subordinated corporate bonds, that sum).
- (5) A financial instruments business operator that seeks to obtain the approval referred to in paragraph (2), item (iii) or paragraph (3), item (iii) must submit a written application for approval stating the following matters to the Commissioner of the Financial Services Agency or the competent Director-General of a Local Finance Bureau, by attaching a copy of the contract or other documents equivalent to the contract:
- (i) the trade name;
  - (ii) the registration date and the registration number;
  - (iii) the amount of the payment, etc. before maturity (if it is denominated in foreign currency, the amount of the payment, etc. before maturity and the equivalent amount in yen);
  - (iv) the current amount of and the amount after the payment, etc. before maturity has been made for the long-term subordinated debt or short-term subordinated debt (if it is denominated in foreign currency, the amount of the long-term subordinated debt or short-term subordinated debt and the equivalent amount in yen);
  - (v) the reasons for making the payment, etc. before maturity;

- (vi) the scheduled date of the payment, etc. before maturity;
  - (vii) the content of other specific measures taken in order to maintain sufficient capital adequacy ratio;
  - (viii) the estimated value of the capital adequacy ratio after making the payment, etc. before maturity.
- (6) If the Commissioner of the Financial Services Agency or the competent Director-General of a Local Finance Bureau intends to grant an approval referred to in paragraph (2), item (iii) or paragraph (3), item (iii), the Commissioner or Director-General must confirm that the long-term subordinated debt or short-term subordinated debt has not temporarily and deliberately increased the capital adequacy ratio, and examine whether the application conforms to any of the following criteria:
- (i) the financial instruments business operator is expected to be able to maintain sufficient capital adequacy ratio, even after making the payment, etc. before maturity; or
  - (ii) the financial instruments business operator is to raise capital in an amount that is not less than the amount of the payment, etc. before maturity.
- (7) The term "subsidiary company, etc." as used in paragraph (4), items (i) and (ii) means the following persons:
- (i) the subsidiary company of a financial instruments business operator (meaning the person considered to be the financial instruments business operator's subsidiary company pursuant to the provisions of Article 8, paragraphs (3) and (7) of the Regulation on Financial Statements; the same applies in paragraph (6), item (ii) of the following Article); and
  - (ii) the affiliated company of a financial instruments business operator (meaning the person considered to be the financial instruments business operator's affiliated company pursuant to the provisions of Article 8, paragraph (5) of the Regulation on Financial Statements; the same applies in item (iii), paragraph (6) of the following Article).
- (8) Beyond what is prescribed in the preceding paragraphs, the necessary matters for calculating the amount of basic items and the amount of supplementary items are specified by the Commissioner of the Financial Services Agency.

(Fixed Assets Required to Be Deducted)

- Article 177 (1) The fixed assets prescribed in Article 46-6, paragraph (1) of the Act and other assets specified by Cabinet Office Order are the items on the balance sheet or other items, which are set forth in the following items:
- (i) fixed assets (excluding other marketable securities which are set forth in the following sub-items):
    - (a) securities listed on a financial instruments exchange (including those

- similar to the exchange which are located in a foreign country);
- (b) securities registered in a register of over-the-counter traded securities referred to in Article 67-11, paragraph (1) of the Act (including those similar to the register which are kept in a foreign country); and
- (c) national government bond securities;
- (ii) deferred assets;
- (iii) among current assets, those set forth in the following sub-items:
  - (a) deposits (excluding deposits related to customer segregated fund trusts, segregated management customer trusts, commodity customer segregated fund trust, initial margin (limited to margin managed by creation of a trust pursuant to the provisions of Article 123, paragraph (1), item (xxi)-9, sub-item (d) or methods similar to that) and those that are equivalent to initial margin in a foreign country related to a transaction set forth in paragraph (12), item (v) of that Article, and deposits related to those set forth in paragraph (1), item (vii), sub-item (b) of the preceding Article and deposits under the provisions of Article 98, paragraph (1), item (ii) of the Regulations for Enforcement of the Commodity Derivatives Act (Order of the Ministry of Agriculture, Forestry and Fisheries and the Ministry of Economy, Trade and Industry No. 3 of 2005));
  - (b) advances paid to customers (excluding advances for which the period is less than two weeks);
  - (c) short-term loans made to an associated company (excluding a consolidated company) (excluding call loans extended to a financial institution (meaning a bank, cooperative financial institution, or a financial institution set forth in the items of Article 1-9 of the Order; hereinafter the same applies in sub-item (c)), a trust company, or a financial instruments business operator, and loans for purchasing bills of exchange drawn by a domestic financial institution or financial instruments business operator);
  - (d) advance payments; and
  - (e) prepaid expenses;
- (iv) among the securities held (including securities held through trust property), those set forth in the following sub-items (excluding those set forth in item (i)):
  - (a) securities issued by an associated company (excluding those related to the short-term bonds prescribed in Article 66, item (i) of the Act on Book-Entry Transfer of Corporate Bonds and Shares, the short-term bonds prescribed in Article 61-10, paragraph (1) of the Insurance Business Act, and the specified short-term corporate bonds as defined in Article 2, paragraph (8) of the Act on Securitization of Assets, which have been issued by a consolidated company, and commercial papers (meaning the securities set forth in Article 2, paragraph (1), item (xv) of the Act, and the securities set

- forth in item (xvii) of that paragraph, which have the nature of the securities set forth in item (xv) of that paragraph; the same applies in sub-item (b)), securities acquired through underwriting whose holding period does not exceed six months, and securities that are obviously not held for deliberately providing funds to associated companies, notwithstanding the status of their purchase and sale);
- (b) commercial papers or corporate bond certificates issued by another company or a third party (limited to the case in which a financial instruments business operator accepts the means of raising capital taken by the other company, and the financial instruments business operator is intentionally holding the commercial papers or corporate bond certificates); and
  - (c) securities or corporate bond certificates with share options set forth in Article 2, paragraph (1), items (vi) through (ix) of the Act, or securities set forth in item (xvii) of that paragraph, which have the nature of those securities (excluding the securities set forth in item (i), sub-items (a) and (b), and the securities acquired through underwriting whose holding period does not exceed six months);
  - (v) assets provided as collateral to a third party (excluding those set forth in the preceding items); and
  - (vi) among the securities, etc. held, those which are prescribed in the provisions of paragraph (1), item (i) of the following Article (excluding those set forth in the preceding items), the securities that are specified by the Commissioner of the Financial Services Agency as those that have a high probability of risk occurrence due to fluctuation of prices and other reasons.
- (2) Among the fixed assets referred to in item (i) of the preceding paragraph, for the fixed asset that have been provided as collateral for their own obligations by a financial instruments business operator and is set forth in the following items, the amount specified in each of those items may be deducted from the amount of the fixed asset;
- (i) buildings: the amount of the borrowings secured by the building, or the appraisal value of the building, whichever is smaller; and
  - (ii) land: the amount of the borrowings secured by the land, or the appraisal value of the land, whichever is smaller.
- (3) If there are borrowings referred to in the items of the preceding paragraph that have been secured by two or more assets, the amount of the borrowings secured only by the fixed assets referred to in paragraph (1), item (i) must be calculated by proportionally dividing the borrowings in accordance with the ratio of the appraisal value of all the assets which have been provided as collateral.
- (4) Among the advance payments set forth in paragraph (1), item (iii), sub-item

- (d), the advance payment for the consumption tax related to purchase of stock whose amount is less than the amount of the consumption tax related to sales recorded as other deposits received may be deducted from the amount of the advance payments.
- (5) Concerning the matters set forth in the following items, the amount specified in each of those items may be deducted from the amount of the matters:
- (i) the short-term loans prescribed in paragraph (1), item (iii), sub-item (c): the appraisal value of the cash collateral deposited by the borrower of the short-term loan or of other assets;
  - (ii) the securities issued by associated companies specified in paragraph (1), item (iv), sub-item (a): the appraisal value of the cash collateral provided as collateral for the securities or of other assets; and
  - (iii) the assets provided as collateral for a third party specified in paragraph (1), item (v): the appraisal value of the cash collateral deposited by the third party or of other assets.
- (6) The term "associated company" as used in paragraph (1), item (iii), sub-item (c), and item (iv), sub-item (a) means the following persons:
- (i) the parent company of a financial instruments business operator (meaning the person considered to be the parent company of the financial instruments business operator pursuant to the provisions of Article 8, paragraph (3) of the Regulation on Financial Statements; the same applies in items (iv) and (v));
  - (ii) the subsidiary company of a financial instruments business operator;
  - (iii) the affiliated company of the financial instruments business operator;
  - (iv) the subsidiary company of the parent company of a financial instruments business operator (meaning the person considered to be the subsidiary company of the parent company pursuant to the provisions of Article 8, paragraphs (3) and (7) of the Regulation on Financial Statements (excluding the financial instruments business operator and the persons set forth in the preceding two items)); and
  - (v) the affiliated company of the parent company of a financial instruments business operator (meaning the person considered to be an affiliated company of the parent company pursuant to the provisions of Article 8, paragraph (5) of the Regulation on Financial Statements (excluding the person set forth in item (iii))).
- (7) The term "consolidated company" as used in paragraph (1), item (iii), sub-item (c) and item (iv), sub-item (a) of that paragraph means the following persons:
- (i) the consolidated subsidiary company (meaning the consolidated subsidiary company as defined in Article 2, item (iv) of the Regulation on Terminology, Forms, and Preparation Methods of Consolidated Financial Statements or a person equivalent to the company in a foreign country; the same applies in



- the following item) of a financial instruments business operator (limited to the company submitting consolidated financial statements (meaning the company submitting consolidated financial statements as defined in Article 2, item (i) of that Regulation or a person equivalent to the company in a foreign country; the same applies in the following item)); or
- (ii) the company submitting consolidated financial statements which has a financial instruments business operator as a consolidated subsidiary company and a consolidated subsidiary company of the company submitting consolidated financial statements (excluding the financial instruments business operator and the person specified in the preceding item).
- (8) Beyond what is prescribed in the preceding paragraphs, the necessary matters for calculating the appraisal values referred to in the items of paragraph (2), paragraph (3), and the items of paragraph (5) and other necessary matters for the calculating the amount of deductible assets are specified by the Commissioner of the Financial Services Agency.

(Risk Equivalent Amount)

Article 178 (1) The amount specified by Cabinet Office Order as an amount corresponding to risks that may occur due to fluctuations in the price of securities held which are referred to in Article 46-6, paragraph (1) of the Act, is as follows:

- (i) market risk equivalent amount (meaning the amount calculated by the means specified by the Commissioner of the Financial Services Agency as an amount corresponding to risks that may occur due to fluctuations in the price of securities, etc. held (meaning securities and other assets and transactions) or other reasons; the same applies hereinafter);
- (ii) counterparty risk equivalent amount (meaning the amount calculated by the means specified by the Commissioner of the Financial Services Agency as an amount equivalent to risks that may occur due to breach of contract by the counterparty to transactions or other reasons; the same applies hereinafter); and
- (iii) fundamental risk equivalent amount (meaning the amount calculated by the means specified by the Commissioner of the Financial Services Agency as an amount equivalent to risks that may occur due to clerical errors and in performing ordinary business; the same applies hereinafter).
- (2) A financial instruments business operator is to perceive the market risk equivalent amount and the counterparty risk equivalent amount for each business day, through a reasonable method in accordance with the state of operations.

(Notification of Capital Adequacy Ratio)

Article 179 (1) The cases specified by Cabinet Office Order as prescribed in Article 46-6, paragraph (1) of the Act are as follows:

- (i) if the capital adequacy ratio falls below 140 percent; or
  - (ii) if the capital adequacy ratio has recovered to 140 percent or more.
- (2) Based on the provisions of Article 46-6, paragraph (1) of the Act, a financial instruments business operator must notify the Commissioner of the Financial Services Agency or the competent Director-General of a Local Finance Bureau of the capital adequacy ratio at the end of each month by no later than the twentieth of the following month.
- (3) Based on the provisions of Article 46-6, paragraph (1) of the Act, a financial instruments business operator that has come to fall under paragraph (1), item (i) must immediately notify the Commissioner of the Financial Services Agency of that fact, and, prepare a written notification of the capital adequacy ratio for each business day by using the Appended Form No. 15 and submit the notification to the Commissioner of the Financial Services Agency or the competent Director-General of a Local Finance Bureau without delay.
- (4) The documents specified in the following items in accordance with the category set forth in each of those items must be attached to the written notification prescribed in the preceding paragraph:
- (i) if the capital adequacy ratio comes to fall below 140 percent (excluding the case set forth in the following item): the plan on concrete measures required to be taken by the financial instruments business operator in order to maintain the status of the capital adequacy ratio; and
  - (ii) if the capital adequacy ratio comes to fall below 120 percent: the plan on specific measures that should be taken by the financial instruments business operator themselves in order to restore the status of the capital adequacy ratio.
- (5) Based on the provisions of Article 46-6, paragraph (1) of the Act, a financial instruments business operator that has come to fall under paragraph (1), item (ii) must notify the Commissioner of the Financial Services Agency or the competent Director-General of a Local Finance Bureau of that fact without delay.
- (6) A financial instruments business operator must appropriately perceive the status of the capital adequacy ratio for each business day.

(Public Inspection of Capital Adequacy Ratio)

Article 180 (1) Each period specified by Cabinet Office Order as prescribed in Article 46-6, paragraph (3) of the Act is a period divided into three-month periods in the first business year after the last day of the business year is changed (if the last period is less than three months, that period which is less than three months).

- (2) If a financial instruments business operator prepares a document pursuant to the provisions of Article 46-6, paragraph (3) of the Act, they must state the following matters:
- (i) the amount of non-fixed equity capital;
  - (ii) the market risk equivalent amount, the counterparty risk equivalent amount, and the fundamental risk equivalent amount, and their sum; and
  - (iii) the capital adequacy ratio.
- (3) If there is an amount of subordinated debts (meaning the subordinated debts set forth in Article 176, paragraph (1), item (vii), sub-items (d) and (e); hereinafter the same applies in this paragraph) in the amount of supplementary items, the following matters must be set down in the notes of the document prescribed in the preceding paragraph:
- (i) the amount of the subordinated debt;
  - (ii) the date of contract or the date of the issuance of the subordinated debt; and
  - (iii) the payment date or the redemption date of the subordinated debt.

## **Subsection 2 Financial Instruments Business Operators that Does Not Conduct Type I Financial Instruments Business**

(Books and Documents Concerning Business)

Article 181 (1) The books and documents required to be prepared by a financial instruments business operator (excluding a person that conducts type I financial instruments business; hereinafter the same applies in this Subsection) pursuant to the provisions of Article 47 of the Act are as follows:

- (i) the books and documents set forth in Article 157, paragraph (1), items (i) and (ii) (excluding sub-item (c) of that item);
- (ii) if the person is conducting type II financial instruments business, the following books and documents:
  - (a) the books and documents set forth in Article 157, paragraph (1), items (iii) through (xii); and
  - (b) a record on the status of separate management related to the act of management of specified securities, etc.
- (iii) if the person is conducting investment advisory and agency business, the books and documents set forth in Article 157, paragraph (1), item (xvi);
- (iv) if the person is conducting investment management business, the books and documents set forth in Article 157, paragraph (1), item (xvii); and
- (v) if the person is conducting electronic public offering services, the following records:
  - (a) records of examination conducted based on the measures prescribed in Article 70-2, paragraph (2), item (iii); and

- (b) records of information displayed on a screen of a computer pursuant to the provisions of Article 146-2, paragraph (1).
- (2) Notwithstanding the provisions of item (ii) of the preceding paragraph, a foreign instruments business operator that is a corporation incorporated in compliance with foreign laws and regulations or an individual that has a domicile in a foreign country (limited to a person that conducts type II financial instruments business and who does not conduct a financial instruments business other than on-exchange transaction services (meaning the on-exchange transaction services prescribed in Article 60, paragraph (1) of the Act, and excluding the services conducted with a person in Japan as the counterparty; hereinafter the same applies in this paragraph)) may substitute documents prepared based on foreign laws and regulations which are similar to the books and documents (limited to those related to on-exchange transaction services) set forth in item (ii), sub-item (a) ( hereinafter the books and documents are referred to as "foreign books and documents" in this paragraph, and if the foreign books and documents are prepared in a foreign language, the following documents (referred to as "foreign books and documents, etc." in the following paragraph)) for the books and documents specified in sub-item (a) of that item (limited to the books and documents related to on-exchange transaction services) for on-exchange transaction services:
- (i) the foreign books and documents; and
  - (ii) a Japanese translation of the form for foreign books and documents.
- (3) The books and documents set forth in paragraph (1), items (i) and (iii) (limited to the books and documents set forth in Article 157, paragraph (1), item (xvi), sub-item (c)) and item (v), sub-item (b) must be preserved for five years from the day of their preparation (for the books and documents specified in paragraph (1), item (i) (limited to those set forth in item (ii), paragraph (1) of that Article), the day when they cease to be effective); the books and documents set forth in paragraph (1), item (ii) (limited to those set forth in paragraph (1), items (iii) through (iii)-4 of that Article) and foreign books and documents similar to them, and the books and documents set forth in paragraph (1), item (iv) (limited to those set forth in Article 157, paragraph (1), item (xvii), sub-item (d)) must be kept for seven years from the day of their preparation; the books and documents set forth in paragraph (1), item (ii) (excluding those set forth in paragraph (1), items (iii) through (iii)-4 of that Article) and the foreign books and documents similar to them, and the books and documents set forth in paragraph (1), item (iii) (excluding those set forth in Article 157, paragraph (1), item (xvi), sub-item (c)), item (iv) (excluding those set forth in Article 157, paragraph (1), item (xvii), sub-item (d)) and item (v), sub-item (a) must be preserved for ten years from the day of their preparation (for the books and documents set forth in Article 157, paragraph

(1), item (xvi), sub-item (a) and item (xvii), sub-item (a), the day of the termination of the business under the contract or business related to other juridical acts).

- (4) The books and documents set forth in the items of paragraph (1) (excluding item (iii)) must be preserved in Japan; provided, however, that this does not apply if the books and documents are prepared in a business office or office established in a foreign country and their copies have been preserved in Japan without delay after their preparation, or the books and documents have been prepared as an electronic or magnetic record and a document indicating the matters recorded in the electronic or magnetic record has been made available for inspection without delay at a business office or office established in Japan.

#### (Business Reports)

Article 182 (1) A business report to be submitted by a financial instruments business operator pursuant to the provisions of Article 47-2 of the Act must be prepared by using the Appended Form No. 12.

- (2) When a financial instruments business operator (limited to a company) prepares a business report referred to in the preceding paragraph, they are to comply with to business accounting practices generally accepted as fair and appropriate.

- (3) When a financial instruments business operator (excluding a company) prepares a business report referred to in paragraph (1), they are to comply with accounting practices generally accepted as fair and appropriate.

#### (Public Inspection of Explanatory Documents)

Article 183 (1) Pursuant to the provisions of Article 47-3 of the Act, a financial instruments business operator must make the explanatory document referred to in that Article available for public inspection by the means of keeping explanatory documents prepared using the Appended Form No. 15-2 or copies of the business report referred to in paragraph (1) of the preceding Article at all business offices or offices or by other means, or publicize them by using the internet or other means that enables easy access for investors at all times.

- (2) The matters specified by Cabinet Office Order as prescribed in Article 47-3 of the Act are the matters stated in the business report referred to in the Appended Form No. 15-2 or paragraph (1) of the preceding Article.

### **Subsection 3 Registered Financial Institutions**

#### (Books and Documents Related to Business)

Article 184 (1) The books and documents required to be prepared by a registered financial institution pursuant to the provisions of Article 48 of the Act are as

follows:

- (i) the books and documents set forth in Article 157, paragraph (1), items (i) and item (ii) (excluding sub-item (c) of that item);
  - (ii) among registered financial institution businesses, for business other than financial instruments intermediation operations, investment advisory and agency business, or an investment management business, the books and documents set forth in Article 157, paragraph (1), items (iii) through (xi), item (xiii), item (xiv) and item (xv)-2;
  - (iii) for financial instruments intermediation operations, the following books and documents:
    - (a) a subsidiary book on the financial instruments intermediary service; and
    - (b) a book on details of the custody related to financial instruments intermediary services;
  - (iv) for a registered financial institution that conducts investment advisory and agency business, the book and document set forth in Article 157, paragraph (1), item (xvi); and
  - (v) for a registered financial institution that conducts investment management business, the book and document set forth in Article 157, paragraph (1), item (xvii);
  - (vi) in the case of a person that conducts electronic public offering services, the following records:
    - (a) record of examinations based on the measures provided for in Article 70-2, paragraph (2), item (iii);
    - (b) record of information displayed on a screen of a computer pursuant to the provisions of Article 146-2, paragraph (1).
- (2) The books and documents set forth in items (i) and (iv) of the preceding paragraph (limited to those set forth in Article 157, paragraph (1), item (xvi), sub-item (c)) and item (vi), sub-item (b) of the preceding paragraph must be preserved for five years from the day of their preparation (for the books and documents set forth in item (i) of the preceding paragraph (limited to those set forth in Article 157, paragraph (1), item (ii)), the day when they cease to be effective); the books and documents specified in item (ii) of the preceding paragraph (limited to those set forth in Article 157, paragraph (1), items (iii) through (iii)-4) and the books and documents specified in item (iii), sub-item (a), and item (v) of the preceding paragraph (limited to those set forth in Article 157, paragraph (1), item (xvii), sub-item (d)) must be preserved for seven years from the day of their preparation; the books and documents specified in item (ii) of the preceding paragraph (excluding those set forth in Article 157, paragraph (1), items (iii) through (iii)-4), item (iii), sub-item (b), and item (iv) of the preceding paragraph (excluding those set forth in Article 157, paragraph (1), item (xvi), sub-item (c)) and item (v) of the preceding paragraph (excluding

those set forth in Article 157, paragraph (1), item (xvii), sub-item (d)) and item (vi), sub-item (a) of the preceding paragraph must be preserved for ten years from the day of their preparation (for the books and documents set forth in Article 157, paragraph (1), item (xvi), sub-item (a) and item (xvii), sub-item (a), the day of the termination of the business under the contract or business related to other juridical acts).

(Subsidiary Book on Financial Instruments Intermediary Services)

Article 185 (1) The following matters must be stated in a subsidiary book on the financial instruments intermediary services referred to in Article 184, paragraph (1), item (iii), sub-item (a):

- (i) distinction of whether it is the entrusting financial instruments business operator's own transaction or a transaction based on entrustment by the customer;
- (ii) the customer's name;
- (iii) the type of transaction;
- (iv) the issue;
- (v) whether the type of transaction is sale or purchase;
- (vi) quantity of offers received (if there is no quantity, the number of transactions or other matters equivalent to quantity; the same applies in paragraph (3), item (i));
- (vii) the agreed quantity (if there is no quantity, the number of transactions or other matters equivalent to quantity; the same applies in paragraph (3), item (i));
- (viii) distinction of whether it is a limit order or a market order (for a limit order, the price and expiration date of the order (excluding an order whose expiration date is on the day of the order) are included);
- (ix) the date and time the offer has been received;
- (x) the date and time the contract was concluded; and
- (xi) the contracted price.

(2) A subsidiary book on the financial instruments intermediary service referred to in the preceding paragraph must be prepared in accordance with the following conditions:

- (i) the book is to be prepared upon the receipt of an offer for a transaction from a customer, in principle;
- (ii) if there are two or more entrusting financial instruments business operators, the book is to be prepared for each entrusting financial instruments business operator;
- (iii) the book is to be prepared in order of date and preserved;
- (iv) the part stating the transactions that have not been contracted is to be preserved as well;

- (v) in the part related to the content of the transaction, matters a registered financial institution has come to know is to be stated;
  - (vi) if a subsidiary book on a financial instruments intermediary service is to be prepared as an electronic or magnetic record, the book is to be prepared in accordance with the following conditions, in addition to the conditions set forth in the items of the preceding paragraph:
    - (a) the matters set forth in the items of the preceding paragraph (excluding item (vii), item (x), and item (xi)) is to be entered on a computer upon receipt of an offer; and
    - (b) the date and time when the content of the offer has been entered on a computer are to be automatically recorded;
  - (vii) for an order for a transaction for which give-up action has been conducted, to state that fact;
  - (viii) for a transaction for which give-up action has been conducted, a registered financial institution whose entrusting financial instruments business operator, etc. is an order executing member, etc. is not required to state whether it is a new transaction or a settlement transaction, and whether it is a new transaction, a transaction for the exercise of rights, a resale transaction, or a buy-back transaction;
  - (ix) for a transaction for which give-up action has been conducted, a registered financial institution whose entrusting financial instruments business operator, etc. is a clearance executing member, etc. is not required to prepare a subsidiary book.
- (3) Notwithstanding the provisions of the preceding two paragraphs, the matters set forth in the following items may be stated in accordance with the manners specified in each of those items:
- (i) the matters set forth in the items of paragraph (1) concerning investment trust beneficiary certificates, etc. whose price does not fluctuate on the same day: the customer's name, issue, whether it is sale or purchase transaction, the quantity of offers received, contracted quantity, date of receiving the offer, and contracted date are to be stated in lieu of the matters set forth in each of those items;
  - (ii) the matters set forth in paragraph (1), item (iii) (limited to the matters set forth in Article 158, paragraph (1), item (iii), sub-item (d), 2., sub-item (e), 3. and sub-item (g), 2.): entries of the matters for which instructions are not required at the time of the order pursuant to the rules of the financial instruments exchange may be omitted;
  - (iii) matters prepared as an electronic or magnetic record pursuant to the provisions of item (vi) of the preceding paragraph: if the matters prepared as an electronic or magnetic record are to be displayed on the screen of a computer or are to be printed out on paper, the matters are to be displayed or



printed as a list.

(Book on Details of Custody Related to Financial Instruments Intermediary Services)

Article 186 (1) In a book on details of the custody related to financial instruments intermediary services referred to in Article 184, paragraph (1), item (iii), sub-item (b), it is required to state the following matters concerning money and securities related to financial instruments intermediation operations deposited by customers:

- (i) the customer's name;
- (ii) the date of deposit and the date of withdrawal of the money and securities;
- (iii) the amount;
- (iv) the issue;
- (v) the quantity;
- (vi) the name of the person with whom the money or securities are deposited, and the person from whom the money or securities are withdrawn;
- (vii) the balance;
- (viii) the code or number of the securities; and
- (ix) the names of the holders.

(2) A book on details of the custody related to financial instruments intermediary services must be prepared in accordance with the following conditions:

- (i) the book is prepared separately for each customer;
- (ii) for the amount related to a transaction for which give-up action has been conducted, to state the amount directly received from customers by a registered financial institution whose entrusting financial instruments business operator is a clearance executing member, etc.; and
- (iii) for a transaction for which give-up action has been conducted, a registered financial institution whose entrusting financial instruments business operator is an ordering member, etc. is not required to prepare the book; provided, however, that if the registered financial institution has directly received money from a customer, to state the customer's name, the date of deposit or withdrawal, the amount, the name of the depository and the balance of the money.

(3) Notwithstanding the provisions of the preceding two paragraphs, a book on details of the custody related to financial instruments intermediary services may be prepared in accordance with the following conditions:

- (i) for securities that have been deposited, if there is no balance on the day in question, entries of the code, number, and the holder's name are to be omitted;
- (ii) if the records on acceptance or refund of bank deposits or postal savings are well organized at a registered financial institution which may accept bank

deposits or postal savings on a regular basis, to omit entries on the date of deposits or withdrawals, the amount, the name of the depository, and the balance;

- (iii) if the records on the deposit and withdrawal of securities are well organized by books, documents, etc. related to other businesses, to omit entries on the date of the deposit or withdrawal, issue, quantity, the name of the depository, the balance, code, number and the holder's name.

(Business Reports)

Article 187 A business report to be submitted by a registered financial institution pursuant to the provisions of Article 48-2, paragraph (1) of the Act must be prepared by using the Appended Form No. 16.

(Report on the Status of Business or Property)

Article 188 A registered financial institution must, pursuant to the provisions of Article 48-2, paragraph (2) of the Act, submit to the Commissioner of the Financial Services Agency or the competent Director-General of a Local Finance Bureau the reports listed in the following items, no later than the time limit set forth respectively in each of those items:

- (i) a report on the associated company prepared by using the Appended Form No. 13: within four months after the end of each business year; and
- (ii) a report on the status of the business or property prepared by using the Appended Form No. 17: a monthly report by no later than the twentieth of the following month.

(Financial Instruments Transaction Liability Reserves)

Article 189 (1) A registered financial institution must set aside for each business year any of the amounts specified in the following items, whichever is smaller, as the financial instruments transaction liability reserves under the provisions of Article 48-3, paragraph (1) of the Act:

- (i) the sum of the following amounts:
  - (a) the amount equivalent to 0.0016/ten thousandth of the total transaction contract amount for the transaction set forth in Article 2, paragraph (21), item (i) of the Act (including foreign market derivatives transactions similar to the transaction; hereinafter the same applies in this Article excluding sub-item (f) of this item and sub-item (f) of the following item) and the transaction set forth in item (ii) of that paragraph (including foreign market derivatives transactions similar to the transaction; hereinafter the same applies in this Article excluding sub-item (g) of this item and sub-item (g) of the following item) concerning bond certificates for which entrustment, etc. has been accepted in the relevant business year;

- (b) the amount equivalent to 0.3/ten thousandth of the sum of the amount of considerations for the transaction set forth in Article 2, paragraph (21), item (iii) of the Act (including foreign market derivatives transactions similar to the transaction; hereinafter the same applies in this Article excluding sub-item (h) of this item and sub-item (h) of the following item) concerning bond certificates for which entrustment, etc. has been accepted in the relevant business year;
- (c) the amount equivalent to 0.0096/ten thousandth of the amount calculated by multiplying the transaction volume of the transaction set forth in Article 2, paragraph (21), item (i) of the Act concerning the currency for which entrustment etc. has been accepted in the relevant business year (including the transaction set forth in item (i) of that paragraph closed upon the exercise of the rights granted to one of the parties through the transaction set forth in item (iii) of that paragraph; the same applies in sub-item (f) of this item and sub-items (c) and (f) of the following item) by the amount prescribed by an exchange (meaning a person that establishes a financial instruments market or foreign financial instruments market; hereinafter the same applies in this Article) as the unit of transaction (for a transaction, etc. set forth in item (i) of that paragraph related to the transaction set forth in item (iii) of that paragraph, the amount specified by an exchange as the unit of transaction closed upon the exercise of the rights granted to one of the parties; the same applies in sub-item (f) of this item and sub-items (c) and (f) of the following item);
- (d) the amount equivalent to 0.0012/ten thousandth of the amount calculated by multiplying the transaction volume of the transaction, etc. set forth in Article 2, paragraph (21), item (ii) of the Act (including the transaction set forth in item (ii) of that paragraph closed upon the exercise of the rights granted to one of the parties through the transaction set forth in item (iii) of that paragraph; the same applies sub-item (e) and sub-item (f) of this item and sub-item (d), sub-item (e), and sub-item (g) of the following item) concerning the financial index calculated by the interest rate of claims under the deposit contract for which entrustment, etc. has been accepted in the relevant business year by the amount prescribed by an exchange as the unit of transaction (for the transaction, etc. set forth in item (ii) of that paragraph related to the transaction set forth in item (iii) of that paragraph, the amount specified by an exchange as the unit of the transaction closed upon the exercise of the rights granted to one of the parties; the same applies in sub-item (e) and sub-item (f) of this item and sub-item (d), sub-item (e), and sub-item (g) of the following item);
- (e) the amount equivalent to 0.0024/ten thousandth of the amount calculated by multiplying the transaction volume of the transaction set forth in

- Article 2, paragraph (21), item (ii) of the Act related to the financial index calculated based on the discount rate of negotiable instruments for which entrustment, etc. has been accepted in the relevant business year, by the amount prescribed by an exchange as the unit of transaction.
- (f) the amount equivalent to 0.01/ten thousandth of the amount calculated by multiplying the transaction volume of the transaction set forth in Article 2, paragraph (21), item (i) of the Act related to the commodities for which entrustment, etc. has been accepted in the relevant business year by the amount prescribed by an exchange as the unit of transaction;
  - (g) the amount equivalent to 0.01/ten thousandth of the amount calculated by multiplying the transaction volume of the transaction specified in Article 2, paragraph (21), item (ii) of the Act for financial index related to the commodities for which entrustment, etc. has been accepted in the relevant business year by the amount prescribed by an exchange as the unit of transaction; and
  - (h) the amount equivalent to 0.1/ten thousandth of the sum of the amount of considerations for the transaction set forth in Article 2, paragraph (21), item (iii) of the Act related to the commodities for which entrustment, etc. has been accepted in the relevant business year;
- (ii) the amount obtained by deducting the amount set forth in sub-item (i) from the sum of the amount set forth in the following sub-items (a) through (h):
- (a) the amount equivalent to 0.0064/ten thousandth of the total transaction contract amount for the transaction in the business year for which the total contract amount for the transaction set forth in Article 2, paragraph (21), items (i) and (ii) of the Act related to the bond certificates for which entrustment, etc. has been accepted was the highest, among the relevant business year and each business year that commenced within two years before the day of the commencement of that relevant business year;
  - (b) the amount equivalent to 1.2/ten thousandth of the sum of the amount of considerations for the transaction in the business year for which the sum of the amount of considerations for the transaction set forth in Article 2, paragraph (21), item (iii) of the Act related to the bond certificates for which entrustment, etc. has been accepted was the highest, among the relevant business year and each business year that commenced within two years before the day of the commencement of that relevant business year;
  - (c) the amount equivalent to 0.0384/ten thousandth of the amount obtained by multiplying the transaction volume of the transaction set forth in Article 2, paragraph (21), item (i) of the Act related to the currency for which entrustment, etc. has been made by the amount prescribed by an exchange as the transaction unit in the business year for which that amount was the highest, among the relevant business year and each

- business year that commenced within two years before the day of the commencement of that relevant business year;
- (d) the amount equivalent to 0.0048/ten thousandth of the amount obtained by multiplying the transaction volume of the transaction set forth in Article 2, paragraph (21), item (ii) of the Act related to the financial index calculated based on the interest rate of the claims under the deposit contract for which entrustment, etc. has been accepted, by the amount prescribed by an exchange as the transaction unit in the business year for which that amount was the highest, among the relevant business year and each business year that commenced within two years before the day of the commencement of that relevant business year;
  - (e) the amount equivalent to 0.0096/ten thousandth of the amount obtained by multiplying the transaction volume of the transaction set forth in Article 2, paragraph (21), item (ii) of the Act related to the financial index calculated based on the discounting rate of negotiable instrument for which entrustment, etc. has been accepted by the amount prescribed by an exchange as the transaction unit in the business year for which that amount was the highest, among the relevant business year and each business year that commenced within two years before the day of the commencement of that relevant business year; and
  - (f) the amount equivalent to 0.04/ten thousandth of the amount obtained by multiplying the transaction volume of the transaction set forth in Article 2, paragraph (21), item (i) of the Act related to commodities for which entrustment, etc. has been accepted, by the amount prescribed by an exchange as the transaction unit in the business year for which that amount was the highest, among the relevant business year and each business year that commenced within two years before the day of the commencement of that relevant business year;
  - (g) the amount equivalent to 0.04/ten thousandth of the amount obtained by multiplying the transaction volume of the transaction set forth in Article 2, paragraph (21), item (ii) of the Act related to the financial index for the commodities for which entrustment, etc. has been accepted by the amount prescribed by an exchange as the transaction unit in the business year for which that amount was the highest, among the relevant business year and each business year that commenced within two years before the day of the commencement of that relevant business year;
  - (h) the amount equivalent to 0.4/ten thousandth of the sum of the amount of considerations for the transaction set forth in Article 2, paragraph (21), item (iii) of the Act related to commodities for which entrustment, etc. has been accepted in the business year for which the sum of the amount of considerations was the highest, among the relevant business year and each

- business year that commenced within two years before the day of the commencement of that relevant business year; and
- (i) the amount of the financial instruments transaction liability reserves which has already been set aside (if there is an amount that has been used pursuant to the provisions of Article 48-3, paragraph (2) of the Act, the amount after deducting that amount).
- (2) The cases in which the financial instruments transaction liability reserves prescribed in Article 48-3, paragraph (2) of the Act may be used are when a registered financial institution withdraws the amount of the portion in excess of the sum of the amounts set forth in item (ii), sub-items (a) through (h) of the preceding paragraph from the financial instruments transaction liability reserves that have been already set aside on the last day of the business year, or other cases approved by the Commissioner of the Financial Services Agency or the competent Director-General of a Local Finance Bureau.

#### **Subsection 4 Special Procedures for Foreign Corporations**

(Procedures for Obtaining Approval on Due Date for Public Inspection of Explanatory Documents)

Article 190 (1) If a financial instruments business operator that is a foreign corporation or an individual that has a domicile in a foreign country (hereinafter referred to as "financial instruments business operator that is a foreign corporation, etc." in this Article) seeks to obtain an approval referred to in the proviso to Article 16-17 of the Order, they must submit a written application for approval stating the following matters to the Commissioner of the Financial Services Agency or the competent Director-General of a Local Finance Bureau:

- (i) the trade name or name;
  - (ii) the registration date and the registration number;
  - (iii) the period for public inspection of explanatory documents for which the approval is sought;
  - (iv) the last day of the business year related to the explanatory documents; and
  - (v) the reasons for which approval is sought in relation to the public inspection of explanatory documents.
- (2) The following documents must be attached to the written application for approval referred to in the preceding paragraph:
- (i) the articles of incorporation or alternative documents;
  - (ii) a document certifying that the representative of the financial instruments business operator that is a foreign corporation, etc. stated in the written application for approval is a person that has legitimate authority to submit the written application for approval; and

- (iii) a legal opinion letter of a legal expert on the fact that the matters concerning laws and regulations or practices stated in the written application for approval are true and accurate, and a copy of the relevant provisions of the related laws and regulations set forth in the legal opinion letter.
- (3) If an application for approval referred to in paragraph (1) has been filed, and it is found that a financial instruments business operator that is a foreign corporation, etc. is unable to keep explanatory documents and make them available for public inspection from the day on which four months have passed from the end of the business year due to the laws and regulations or practices of their own country, the Commissioner of the Financial Services Agency or the competent Director-General of a Local Finance Bureau is to grant an approval to the explanatory documents for the business year that includes the day the application was filed (if that day falls on a day that is within four months from the commencement of the business year (if approval has been obtained for the inspection of explanatory documents for the immediately preceding business year, within the period for which approval has been obtained), the business year immediately preceding the business year) through the business year immediately preceding the business year that includes the day when the reasons specified in paragraph (1), item (v) related to the application filed are considered to have ceased to exist or have changed.
- (4) The approval referred to in the preceding paragraph is to be granted on the condition that a financial instruments business operator that is a foreign corporation, etc. referred to in that paragraph submits documents stating the following particulars to the Commissioner of the Financial Services Agency or the competent Director-General of a Local Finance Bureau within four months after the end of each business year; provided, however, that if the matters set forth in item (ii) have the same content as the content of the matters that have been stated in the document submitted within five years before the submission of the document, the entry of those matters may be omitted:
- (i) the fact that the reasons for applying for the approval have not ceased to exist or have not changed in the business year; and
  - (ii) a legal opinion letter by a legal expert concerning the matter set forth in the preceding item and the relevant provisions of the related laws and regulations set forth in the legal opinion letter.

(Procedures for Obtaining Approval on Due Date for Submitting Business Reports)

Article 191 (1) If a financial instruments business operator that is a foreign corporation or an individual that has a domicile in a foreign country, or a registered financial institution that is a foreign corporation (hereinafter

referred to as "financial instruments business operator, etc. that is foreign corporation, etc." in this Article) seeks to obtain an approval referred to in the proviso to Article 16-18 of the Order, they must submit a written application for approval stating the following matters to the Commissioner of the Financial Services Agency or the competent Director-General of a Local Finance Bureaus:

- (i) the trade name or name;
- (ii) the registration date and the registration number;
- (iii) the period for which the approval is sought in relation to the submission of the business report;
- (iv) the last day of the business year related to the business report; and
- (v) the reasons for seeking the approval for the submission of the business report.

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

- (i) the articles of incorporation or alternative documents;
- (ii) a document certifying that the representative of the financial instruments business operator, etc. that is foreign corporation, etc. stated in the written application for approval is a person that has legitimate authority to submit the written application for approval; and
- (iii) a legal opinion letter of a legal expert on the fact that the matters concerning laws and regulations or practices stated in the written application for approval are true and accurate, and a copy of the relevant provisions of the related laws and regulations set forth in the legal opinion letter.

(3) If the application for approval referred to in paragraph (1) has been filed, and if it is found that a financial instruments business operator, etc. that is foreign corporation, etc. is unable to submit a business report within three months after the end of the business year due to the laws and regulations or practices of their own country, the Commissioner of the Financial Services Agency or the competent Director-General of a Local Finance Bureau is to grant an approval to the business report for the business year that includes the day the application has been filed (if the day falls within three months from the commencement of the business year (if the approval has been granted to the submission of a business report for the immediately preceding business year, within the period for which approval has been obtained), the business year immediately preceding that business year) through the business year immediately preceding the business year that includes the day when the reasons specified in paragraph (1), item (v) related to the application filed are considered to have ceased to exist or have changed.

(4) The approval referred to in the preceding paragraph is to be granted on the condition that the financial instruments business operator, etc. that is a



foreign corporation, etc. referred to in that paragraph submits documents stating the following matters to the Commissioner of the Financial Services Agency or the competent Director-General of a Local Finance Bureau within three months after the end of each business year; provided, however, that if the content of the matters set forth in item (ii) have the same content as the matters stated in the document submitted within five years before the submission of the document, the entry of those matters may be omitted:

- (i) the fact that the reasons for applying for the approval have not ceased to exist or have not changed in the business year; and
- (ii) a legal opinion letter of a legal expert on the matters set forth in the preceding item, and the relevant provisions of the related laws and regulations set forth in the legal opinion letter.

(Procedures for Obtaining Approval on Due Date for Submitting Other Documents)

Article 192 (1) If a financial instruments business operator (limited to a foreign corporation that conducts type-I financial instruments business; hereinafter the same applies in this Subsection) seeks to obtain an approval referred to in the proviso to Article 16-19 of the Order, they must submit a written application for approval stating the following matters to the Commissioner of the Financial Services Agency or the competent Director-General of a Local Finance Bureau:

- (i) the trade name;
- (ii) the registration date and the registration number;
- (iii) the period for submitting other documents, etc. (meaning the documents referred to in Article 49-3, paragraph (1) of the Act or the report specified in Article 195 of this Cabinet Office Order; hereinafter the same applies in this Article) for which the approval is sought;
- (iv) the last day of the business year related to the other documents, etc.; and
- (v) the reasons for seeking the approval for submitting the other documents, etc.

(2) The following documents must be attached to the written application for approval referred to in the preceding paragraph:

- (i) the articles of incorporation or alternative documents;
- (ii) a document certifying that the representative of the financial instruments business operator stated in the written application for approval is a person who has legitimate authority to submit the written application for approval; and
- (iii) a legal opinion letter of a legal expert on the fact that the matters concerning laws and regulations or practices stated in the written application for approval are true and accurate, and a copy of the relevant

provisions of the related laws and regulations set forth in the legal opinion letter.

- (3) If the application for approval set forth in paragraph (1) has been filed, and it is found that the financial instruments business operator is unable to submit the other documents, etc. within three months after the end of the business year due to the laws and regulations or practices of their home country, the Commissioner of the Financial Services Agency or the competent Director-General of a Local Finance Bureau is to grant an approval to the other documents, etc. for the business year that includes the day the application has been filed (if the day falls within three months after the commencement of the business year (if the approval has been granted to the submission of the other documents, etc. for the immediately preceding business year, within the period for which approved has been obtained), the business year immediately preceding that business year) through the business year immediately preceding the business year that includes the day when the reasons specified in paragraph (1), item (v) related to the application filed are considered to have ceased to exist or have changed.
- (4) The approval referred to in the preceding paragraph is to be granted on the condition that the financial instruments business operator referred to in that paragraph submits a document stating the following matters to the Commissioner of the Financial Services Agency or the competent Director-General of a Local Finance Bureau within three months after the end of each business year; provided, however, that for if the matters set forth in item (ii) have the same content as the matters stated in the document submitted within five years before the submission of the document, the entry of those matters may be omitted:
- (i) the fact that the reasons for applying for the approval have not ceased to exist or have not changed in the business year; and
  - (ii) a legal opinion letter of a legal expert on the matter set forth in the preceding item and the relevant provisions of the related laws and regulations set forth in the legal opinion letter.

(Special Provisions on Capital Adequacy Ratio)

Article 193 In applying the provisions of Article 176, paragraph (1) and Article 177, paragraph (1) in the case of applying the provisions of Article 46-6, paragraph (1) of the Act pursuant to Article 49, paragraph (2) of the Act following the deemed replacement of terms, the term "The stated capital, reserve" in Article 176, paragraph (1) is deemed to be replaced with "The brought-in capital, reserves set aside at the business office or office in Japan", the term "the stated capital" in item (i) of that paragraph is deemed to be replaced with "the brought-in capital", the term "capital surplus" in item (iii) of

that paragraph is deemed to be replaced with "the reserve that has been set aside at the business office or office in Japan", the term "balance sheet" in item (v) and item (vii), sub-item (a) of that paragraph and Article 177, paragraph (1) is deemed to be replaced with "balance sheet in the business office or office in Japan", and the term "fixed asset and other" in Article 177, paragraph (1) is deemed to be replaced with "fixed asset and other assets of business office or office in Japan".

(Submission of Other Documents)

- Article 194 (1) The documents concerning financial calculation prescribed in Article 49-3, paragraph (1) of the Act are the documents stating the matters related to disposition of profits or handling of losses.
- (2) The document stating the outline of business prescribed in Article 49-3, paragraph (1) of the Act must be prepared in accordance with the business report referred to in Article 46-3, paragraph (1) of the Act as applied pursuant to Article 49, paragraph (1) of the Act following the deemed replacement of terms; provided, however, that if there is a document concerning the outline of the business prepared for inspection by shareholders or other persons based on laws and regulations or practices of a financial instruments business operator's own country, the document may be substituted for the document stating the outline of business.

Article 195 Pursuant to the provisions of Article 49-3, paragraph (2) of the Act, a financial instruments business operator must submit a report on the associated company prepared in the same manner as the Appended Form No. 13 for each business year to the Commissioner of the Financial Services Agency or the competent Director-General of a Local Finance Bureau, within the period specified in Article 16-19 of the Order after the end of each business year.

(Reserves for Losses)

- Article 196 (1) Pursuant to the provisions of Article 49-4, paragraph (1) of the Act, a financial instruments business operator must set aside reserves for losses referred to in that paragraph for each business year.
- (2) The percentage specified by Cabinet Office Order as prescribed in Article 49-4, paragraph (1) of the Act is ten percent.

(Retention of Assets in Japan)

- Article 197 The assets required to be retained by a financial instruments business operator in Japan pursuant to the provisions of Article 49-5 of the Act must be the following assets:
- (i) cash, and deposits and savings in a domestic financial institution;

- (ii) the following securities (for securities set forth in sub-items (c) through (e) below, limited to those related to public offering or secondary distribution of securities conducted in Japan, or a solicitation for acquisition only for professional investors or solicitation for selling, etc. only for professional investors made in Japan):
  - (a) securities set forth in Article 2, paragraph (1), items (i) through (iii) of the Act;
  - (b) securities set forth in Article 2, paragraph (1), item (ix) of the Act (limited to those listed on a financial instruments exchange in Japan, or those registered in the register of over-the-counter traded securities prescribed in Article 67-11, paragraph (1) of the Act);
  - (c) securities set forth in Article 2, paragraph (1), item (v) or (xv) of the Act (limited to those issued by a stock company that issues the securities set forth in sub-item (b));
  - (d) securities set forth in Article 2, paragraph (1), item (vi), item (vii), or items (x) through (xii) of the Act;
  - (e) among the securities set forth in Article 2, paragraph (1), item (xvii) of the Act, those that have the nature of securities set forth in item (i) or (ii) of that paragraph;
- (iii) loans, money advanced, or other claims held against a person in Japan, for which a financial instruments business operator has been provided with reliable collateral in Japan;
- (iv) tangible fixed assets;
- (v) money deposited with a financial instruments exchange or a financial instruments firms association;
- (vi) guarantee deposit deposited with a person in Japan; and
- (vii) other assets that are found to be appropriate by the Commissioner of the Financial Services Agency.

#### **Section 4 Supervision**

(Corporation Required to File Notification of Acquisition of Majority of Voting Rights)

Article 198 (1) The corporations specified by Cabinet Office Order as prescribed in Article 50, paragraph (1), item (iv) of the Act are as follows:

- (i) a foreign holding company (meaning a corporation holding the majority of the voting rights in a bank, cooperative financial institution or financial institution set forth in the items of Article 1-9 of the Order or financial instruments business operator (limited to a person that conducts securities-related business), or a corporation that conducts the same type of business as the business conducted by those persons in a foreign country; the same

- applies in the following paragraph); and
- (ii) a corporation that exclusively conducts business for executing the financial instruments business operator's business.
- (2) For item (i) of the preceding paragraph, a corporation holding the majority of the voting rights in a foreign holding company is also deemed to be a foreign holding company.

(Case In Which Financial Instruments Business Operators File Notifications on Suspension of Business)

Article 199 The cases specified by Cabinet Office Order as prescribed in Article 50, paragraph (1), item (viii) of the Act are as follows for a financial instruments business operator:

- (i) if the financial instruments business operator has come to fall under any of Article 29-4, paragraph (1), item (i), sub-item (a) of the Act (limited to the part related to the provisions of foreign laws and regulations equivalent to the Act or the Act on the Provision of Financial Services), sub-item (c), item (iii) of that paragraph (excluding item (ii), sub-item (a) of that paragraph and the part related to important employees) or item (iv) (excluding the part related to sub-item (d)), or sub-item (a) of the following item;
- (ii) when the financial instruments business operator becomes aware of the fact that any of their officers or important employees has come to fall under either of the following sub-items:
  - (a) a person who has come to have a mental impairment and it has become extremely difficult for the person to continue performing the business related to financial instruments business; or
  - (b) a person that falls under any of Article 29-4, paragraph (1), item (ii), sub-items (b) through (i) of the Act;
- (iii) if another corporation or other organizations have come to fall under the parent corporation, etc. or a subsidiary corporation, etc., or if another corporation or other organizations have come to no longer fall under the parent corporation or a subsidiary corporation;
- (iv) if another corporation or other organizations have come to fall under a holding company, or if another corporation or other organizations have come to no longer fall under a holding company;
- (v) if the financial instruments business operator becomes aware of the fact that a petition for commencement of bankruptcy proceedings, commencement of rehabilitation proceedings, or commencement of reorganization proceedings has been filed (for a foreign corporation, including the case in which it becomes aware of the fact that the same type of petition has been filed based on the laws and regulations of the country where its head office is located);

- (vi) if the financial instruments business operator has amended their articles of incorporation;
- (vii) if the financial instruments business operator has come to know that any of their officers or employees (if the officer or employee is a corporation, including members that are to perform its duties; the same applies hereinafter) has committed an act violating laws and regulations, etc. (for an act related to business other than financial instruments business or a business incidental to it, limited to an act which is likely to have a material impact on the financial instruments business operator's operation of business or status of property; hereinafter referred to as "problematic conduct, etc." in this item, the following item, and item (xi), sub-items (e) and (f)) (excluding cases in which problematic conduct, etc. falls under acts set forth in Article 118, item (i), sub-items (a) through (d) or item (ii), sub-item (a) or (b), or an act set forth in (c) of that item (excluding an act in violation of laws and regulations), and has been caused due to negligence; the same applies in the following item);
- (viii) if the details of the problematic conduct, etc. referred to in the preceding item have become clear;
- (ix) if the financial instruments business operator has become a party to an action or a conciliation (for an action or a conciliation relevant to a business other than financial instruments business or a business incidental to it, limited to that which is likely have a material impact on the financial instruments business operator's operation of business or status of property), or if the action or conciliation has been concluded;
- (x) if the financial instruments business operator is a foreign corporation or an individual that has a domicile in a foreign country, and they have become subject to an adverse disposition rendered by an administrative agency based on foreign laws and regulations equivalent to the Act (excluding the cases in which a financial instruments business operator falls under Article 29-4, paragraph (1), item (i), sub-item (a) of the Act);
- (xi) if the financial instruments business operator is conducting type I financial instruments business or an investment management business, the following cases:
  - (a) if the financial instruments business operator has come to fall under Article 29-4, paragraph (1), item (v), sub-item (a) or (b) of the Act;
  - (b) if the net assets of the financial instruments business operator have become less than the amount of the stated capital (excluding the case falling under sub-item (a));
  - (c) when the financial instruments business operator becomes aware of the fact that any of the major shareholders has come to fall under any of the following persons (for a foreign corporation, if the financial instruments

business operator becomes aware of the fact that a person equivalent to the major shareholder has come to fall under a person for which the confirmation referred to in Article 29-4, paragraph (1), item (v), sub-item (f) of the Act has not been made):

1. a person who has come to have a mental impairment and has come to find it extremely difficult to exercise the right of a shareholder (for a person who has come to be in such a condition and has appointed an agent for exercising the right of a shareholder, limited to a person whose agent has come to have a mental impairment and has come to find it extremely difficult to exercise the right of a shareholder or whose agent is a person that falls under any of Article 29-4, paragraph (1), item (ii), sub-items (b) through (i) of the Act),
  2. a person falling under Article 29-4, paragraph (1), item (v), sub-item (d), 2. of the Act;
  3. a person falling under Article 29-4, paragraph (1), item (v), sub-item (e), 1. or 2. of the Act; or
  4. a person, any of whose officers that represents the corporation falls under either of the following clauses:
    - i. a person who has come to have a mental impairment and has come to find it extremely difficult to exercise the right of a shareholder; or
    - ii. a person falling under Article 29-4, paragraph (1), item (v), sub-item (e), 3., b. of the Act;
- (d) if the financial instruments business operator has come to know that a financial instruments intermediary service provider that has the financial instruments business operator themselves as the entrusting financial instruments business operator, etc. has become a party to an action or a conciliation (limited to that related to financial instruments intermediary services), or if the financial instruments business operator has come to know that the action or conciliation has been concluded;
- (e) if the financial instruments business operator has come to know that a financial instruments intermediary service provider that has the financial instruments business operator themselves as the entrusting financial instruments business operator, etc., or any of their officer or employee has committed a problematic conduct, etc. (excluding the cases in which the problematic conduct, etc. is an act set forth in Article 118, item (i), sub-items (a) through (d) or an act set forth in Article 118, item (ii), sub-item (a) or (b), or in sub-item (c) of that item (excluding acts in violation of laws and regulations), and the act has been caused due to negligence; the same applies in (f));
- (f) if the details of the problematic conduct, etc. referred to in sub-item (e) have become clear;

- (g) if the financial instruments business operator has entrusted a financial instruments intermediary service provider to conduct business related to the acts set forth in the items of Article 2, paragraph (11) of the Act, or if they no longer entrusts the financial instruments intermediary service provider; and
- (h) if the financial instruments business operator has established or abolished their representative office in a foreign country;
- (xii) if the financial instruments business operator conducts type I financial instruments business (excluding a type-I small amount electronic public offering service provider), the following cases:
  - (a) if the financial instruments business operator has made subordinated borrowings (excluding those specified by the Commissioner of the Financial Services Agency; the same applies in sub-item (b) of this item, sub-item (c) and (d) of the following item, and Article 208-32, item (xii), sub-items (d) and (e)) or has issued subordinated bonds (excluding those specified by the Commissioner of the Financial Services Agency; the same applies in sub-item (b) of this item, sub-items (c) and (d) of the following item, and item (xii), sub-items (d) and (e) of that Article); and
  - (b) if the financial instruments business operator has made a payment before maturity for subordinated borrowings, or has made a premature redemption for subordinated bonds (including the cases in which payment or redemption has been made for borrowings or bonds without a due date);
- (xiii) for a special financial instruments business operator, the following cases (for cases set forth in sub-item (a) or (b), excluding cases falling under item (vii) or (viii)):
  - (a) if a special financial instruments business operator has come to know that any of the officers or employees of the special financial instruments business operator or its subsidiary corporation, etc. (meaning the subsidiary corporation, etc. prescribed in Article 57-2, paragraph (9) of the Act; hereinafter the same applies in this item, Article 201, item (xxiv), Article 202, item (xviii), and the following Section) has performed an act violating laws and regulations, etc. (including foreign laws and regulations, etc.) (for acts related to business other than financial instruments business or business incidental to it, limited to those that are likely to have a material impact on the operation of business of the special financial instruments business operator or the status of property of the special financial instruments business operator and their subsidiary corporation, etc.; hereinafter referred to as "problematic conduct, etc." in this item) (excluding the cases in which problematic conduct, etc. is an act set forth in Article 118, item (i), sub-items (a) through (d) or item (ii), sub-item (a) or (b), or an act set forth in sub-item (c) of that item (excluding acts in



- violation of laws and regulations) that are caused due to negligence, and cases in which a subsidiary corporation, etc. is required to submit a notification on the problematic conduct, etc. to the Commissioner Financial Services Agency, etc. or take other procedures pursuant to the provisions of laws and regulations; the same applies in sub-item (b));
- (b) if the details of the problematic conduct, etc. referred to in sub-item (a) have become clear;
  - (c) if a special financial instruments business operator has come to know that a subsidiary corporation, etc. has borrowed subordinated borrowings or has issued subordinated bonds (excluding the cases in which a subsidiary corporation, etc. is required to submit a notification to the Commissioner Financial Services Agency, etc. or take other procedures pursuant to the provisions of laws and regulations concerning subordinated borrowings or subordinated bonds; the same applies in sub-item (d)); and
  - (d) if a special financial instruments business operator has come to know that a subsidiary corporation, etc. has made a payment before maturity for subordinated borrowings or that they have made a premature redemption for subordinated bonds (including cases in which a special financial instruments business operator has come to know the fact that payment or redemption for borrowings or bonds without a due date has been made);
- (xiv) cases in which services pertaining to high-speed trading has been commenced as a financial instruments business; and
- (xv) for a person that conducts high-speed trading as type II financial instruments business (excluding a person that conducts type I financial instruments business or investment management business), when the person has come to fall under Article 66-53, item (vi), sub-item (b), or item (vii).

(Cases in Which Registered Financial Institutions File a Notification on Suspension of Business)

Article 200 The cases specified by Cabinet Office Order as prescribed in Article 50, paragraph (1), item (viii) of the Act are as follows for a registered financial institution:

- (i) if the registered financial institution has come to fall under any of Article 33-5, paragraph (1), item (i) of the Act (limited to the part related to the provisions of foreign laws and regulations equivalent to the Act or the Act on the Provision of Financial Services), or item (ii) of that paragraph;
- (ii) if the registered financial institution becomes aware of the fact that a petition for the commencement of bankruptcy proceedings, commencement of rehabilitation proceedings, or commencement of reorganization proceedings has been filed (for a foreign corporation, including a case in which it becomes aware of the fact that the same type of petition has been filed in the country

- where its head office is located based on the laws and regulations of that country);
- (iii) if the registered financial institution has changed its articles of incorporation;
  - (iv) if another corporation or other organizations have come to fall under the parent corporation, etc. or the subsidiary corporation, etc., or if another corporation or other organizations have come to no longer fall under the parent corporation, etc. or the subsidiary corporation, etc.;
  - (v) if another corporation or other organizations have come to fall under a holding company, or if another corporation or other organizations have come to no longer fall under a holding company;
  - (vi) if the registered financial institution has come to know that any of its officers or employees, a financial instruments intermediary service provider whose entrusting financial instruments business operator is the registered financial institution itself, or an officer or employee of that financial instruments intermediary service provider has performed an act in violation of laws and regulations concerning registered financial institution business (hereinafter referred to as "problematic conduct, etc." in this Article) (excluding a case in which the problematic conduct, etc. falls under the act set forth in Article 118, item (i), sub-items (a) through (d) or item (ii), sub-item (a) or (b), or in sub-item (c) of that item (excluding acts in violation of laws and regulations), and the act has been caused due to negligence; the same applies in the following item);
  - (vii) if the details of the problematic conduct, etc. referred to in the preceding item have become clear;
  - (viii) if the registered financial institution has become a party to an action or a conciliation concerning registered financial institution business, or if the action or conciliation has been concluded;
  - (ix) if the registered financial institution has come to know that a financial instruments intermediary service provider whose entrusting financial instruments business operator is the registered financial institution itself has become a party to an action or a conciliation (limited to an action or a conciliation relevant to financial instruments intermediary services), or if it has come to know that the action or conciliation has been concluded;
  - (x) if the registered financial institution has entrusted a financial instruments intermediary service provider to conduct business related to the acts set forth in the items of Article 2, paragraph (11) of the Act, or if it no longer entrusts the business;
  - (xi) if the registered financial institution has commenced services pertaining to high-speed trading as a registered financial institution business.

(Matters Required to Be Stated in Written Notifications)

Article 201 A financial instruments business operator, etc. that gives a notification pursuant to the provisions of Article 50, paragraph (1) of the Act must submit a written notification stating the matters specified in the following items in accordance with the category of the cases set forth in each of those items to the Commissioner of the Financial Services Agency or the competent Director-General of a Local Finance Bureau:

- (i) if the case falls under Article 50, paragraph (1), item (i) of the Act: the following matters:
  - (a) the name of the business office or office that has suspended or resumed business; and
  - (b) the period business was suspended or the date of resumption, and the reasons for the suspension or resumption;
- (ii) if the case falls under Article 50, paragraph (1), item (ii) of the Act: the following matters:
  - (a) the type of the business discontinued; and
  - (b) the date of the discontinuation and the reasons for the discontinuation;
- (iii) if the case falls under Article 50, paragraph (1), item (iii) of the Act: the matters set forth in the following sub-items (a) through (c) in accordance with the category of the cases set forth in each of the sub-items (a) through (c):
  - (a) in the case of a merger with another corporation, the following matters:
    - 1. the trade name or name of the other party to the merger;
    - 2. the date of the merger and the reasons for the merger;
    - 3. the method of the merger;
  - (b) if all or part of the business of another corporation has been succeeded to through a split, the following matters:
    - 1. the trade name or name of the other party to the split;
    - 2. the date of the split and the reasons for the split; and
    - 3. the content of the business succeeded to;
  - (c) in the case all or part of the business has been acquired from another corporation, the following matters:
    - 1. the trade name or name of the transferor;
    - 2. the date of acquisition and the reasons for the acquisition; and
    - 3. the content of the business acquired;
- (iv) if the case falls under Article 50, paragraph (1), item (iv) of the Act: the following matters:
  - (a) the trade name or name of the other party that has acquired the majority of voting rights held by all shareholders, etc., or the other party that has come to hold the majority of voting rights held by all shareholders, etc.; and

- (b) the date of the acquisition or holding of the majority of voting rights held by all shareholders, etc. or the reasons for acquiring or holding the majority of voting rights held by all shareholders, etc.;
- (v) if the case falls under Article 50, paragraph (1), item (v) of the Act: the matters set forth in the following sub-item (a) and (b) in accordance with the category of the cases set forth in the sub-items (a) and (b):
  - (a) if a financial instruments business operator that holds the majority of voting rights held by all shareholders, etc. for a bank, etc. (meaning a bank, etc. prescribed in Article 50, paragraph (1), item (iv) of the Act; the same applies in sub-item (b) and item (iv) of the following Article), has come to no longer hold the majority of voting rights, the following matters:
    1. the trade name or name of the other party for which the financial instruments business operator no longer holds the majority of voting rights held by all the shareholders, etc.;
    2. the date of and reason for no longer holding the majority of voting rights held by all shareholders, etc.;
  - (b) if the bank, etc. for which the financial instruments business operator holds a majority of the voting rights held by all shareholders, etc., has implemented a merger, has dissolved, or has discontinued all of its business, the following matters:
    1. the details of the resolution of merger, dissolution, or discontinuation;
    2. the date of and reasons for merger, dissolution, or discontinuation; and
    3. in the case of merger, the other party to the merger and the method of merger;
- (vi) if the case falls under Article 50, paragraph (1), item (vi) of the Act: the following matters:
  - (a) the trade name or name of another single corporation or other organizations;
  - (b) the number of voting rights to be held by another corporation or other organizations, and the ratio of the number of the voting rights to the voting rights held by all shareholders, etc.; and
  - (c) the day when another corporation or other organizations have come to hold the voting rights;
- (vii) if the case falls under Article 50, paragraph (1), item (vii) of the Act: the date of and reasons for filing the petition of the commencement of bankruptcy proceedings, commencement of rehabilitation proceedings, or commencement of reorganization proceedings;
- (viii) if the case falls under Article 199, item (i), or item (i) of the preceding Article: the matters set forth in sub-items (a) through (f) in accordance with the category of cases set forth in each of the sub-items (a) through (f):
  - (a) if the financial instruments business operator has come to fall under

Article 29-4, paragraph (1), item (i), sub-item (a) of the Act (limited to the part related to the provisions of foreign laws and regulations equivalent to the Act or the Act on the Provision of Financial Services), or if the registered financial institution has come to fall under Article 33-5, paragraph (1), item (i) of the Act (limited to the part related to the provisions of foreign laws and regulations equivalent to the Act or the Act on the Provision of Financial Services), the following matters:

1. the content of the registration or permission granted pursuant to foreign laws and regulations equivalent to the Act or the Act on the Provision of Financial Services which are the same type of registration or permission granted to the financial instruments business operator, etc. in a foreign country (including an authorization or other administrative dispositions similar to the registration or permission; hereinafter referred to as "registration, etc." except in Article 221, item (ii) and Article 232-5, item (ii)), or the content of a notification of the same type as the notification under the provisions of Article 63, paragraph (2), Article 63-3, paragraph (1), Article 63-9, paragraph (1), or Article 63-11, paragraph (1) of the Act made by the financial instruments business operator, etc. pursuant to the provisions of foreign laws and regulations equivalent to the Act or the Act on the Provision of Financial Services;
  2. the date of the registration or notification, etc.;
  3. the date the registration, etc. has been revoked or discontinuation of business related to the notification has been ordered, and the reasons for that; and
  4. the content of the business for which the registration, etc. has been revoked or the discontinuation of business related to the notification that has been ordered;
- (b) if a financial instruments business operator has come to fall under Article 29-4, paragraph (1), item (i), sub-item (c) of the Act, or if a registered financial institution has come to fall under Article 33-5, paragraph (1), item (ii) of the Act, the following matters:
1. the provisions of the laws and regulations which have been violated; and
  2. the date when the punishment became final and binding, and the amount of the fine;
- (c) if a financial instruments business operator has come to fall under Article 199, item (ii), sub-item (a) or Article 29-4, paragraph (1), item (iii) of the Act (excluding item (ii), sub-item (a) of that paragraph, and the part related to important employees), the following matters:
1. the name of the person that has come to fall under that provision;
  2. if the person has come to fall under Article 199, item (ii), sub-item (a),

the date when the person came to fall under the provision and the reasons for that;

3. if the person has come to fall under Article 29-4, paragraph (1), item (ii), sub-item (b) of the Act, the day when the person has been given the order for commencement of bankruptcy proceedings;
  4. if the person has come to fall under Article 29-4, paragraph (1), item (ii), sub-item (c) or (i) of the Act, the day when punishment became final and binding, and the type of the punishment;
  5. if the person has come to fall under Article 29-4, paragraph (1), item (ii), sub-item (d) or (e) of the Act, the date of revocation or order, and its reasons; and
  6. if the person has come to fall under Article 29-4, paragraph (1), item (ii), sub-item (f) or (g) of the Act, the date of and reason for the notice under the provisions of Article 15 of the Administrative Procedure Act (Act No. 88 of 1993) to be given, and the date of and reason for making the notification under the provisions of Article 50-2, paragraph (1) of the Act, Article 60-7 of the Act (including as applied mutandis pursuant to Article 60-14, paragraph (2) of the Act; hereinafter the same applies in this Article), Article 63-2, paragraph (2) or (3) of the Act (including as applied mutatis mutandis pursuant to Article 63-3, paragraph (2) of the Act; hereinafter the same applies in this Article), or Article 63-2, paragraph (4) of the Act, Article 63-10, paragraph (2) or (3) (including as applied mutatis mutandis pursuant to Article 63-11, paragraph (2) of the Act; hereinafter the same applies in this Article) or paragraph (4), Article 66-19, paragraph (1), Article 66-40, paragraph (1), Article 66-61, paragraph (1) of the Act, or Article 16, paragraph (3) of the Act on the Provision of Financial Services;
  7. if the person has come to fall under Article 29-4, paragraph (1), item (ii), sub-item (h) of the Act, the date when removal or dismissal from work has been ordered and its reasons;
- (d) if a financial instruments business operator has come to fall under Article 29-4, paragraph (1), item (iv), sub-item (a) of the Act, the date when the amount of the stated capital or the total amount of contribution becomes less than the amount specified in Article 15-7, paragraph (1) of the Order, and its reasons;
- (e) if a financial instruments business operator comes to fall under Article 29-4, paragraph (1), item (iv), sub-item (b) of the Act, the date when the business operator becomes a juridical person without a business office or office in Japan;
- (f) if a financial instruments business operator comes to fall under Article 29-4, paragraph (1), item (iv), sub-item (c) of the Act, the date when the

- business operator came to fall under a person that has designated a representative in Japan (limited to a representative in charge of business of all business offices or offices established in Japan by the foreign corporation for conducting type I financial instruments business, type II financial instruments business, or investment management business);
- (ix) if the case falls under Article 199, item (ii): the following matters:
- (a) the name of the officer or important employee that has come to fall under Article 199, item (ii), sub-item (a) or (b);
  - (b) if the officer or important employee has come to fall under Article 199, item (ii), sub-item (a), the date when the officer or important employee came to fall under the provisions and the reasons for that;
  - (c) if the officer or important employee has come to fall under Article 29-4, paragraph (1), item (ii), sub-item (b) of the Act, the date when the officer or important employee has been given an order for the commencement of bankruptcy proceedings;
  - (d) if the officer or important employee has come to fall under Article 29-4, paragraph (1), item (ii), sub-item (c) or (i) of the Act, the date when punishment became final and binding, and the type of punishment;
  - (e) if the officer or important employee has come to fall under Article 29-4, paragraph (1), item (ii), sub-item (d) or (e) of the Act, the date of revocation or order and the reasons for that;
  - (f) if the officer or important employee has come to fall under Article 29-4, paragraph (1), item (ii), sub-item (f) or (g) of the Act, the date of and reason for the notice under the provisions of Article 15 of the Administrative Procedure Act to be given and the date of and reason for making the notification under the provisions of Article 50-2, paragraph (1), Article 60-7, Article 63-2, paragraphs (2) through (4), Article 63-10, paragraphs (2) through (4), Article 66-19, paragraph (1), Article 66-40, paragraph (1), or Article 66-61, paragraph (1) of the Act or Article 16, paragraph (3) of the Act on the Provision of Financial Services;
  - (g) if the officer or important employee has come to fall under Article 29-4, paragraph (1), item (ii), sub-item (h) of the Act, the date when the removal or dismissal was ordered and the reasons for that;
- (x) if the case falls under Article 199, item (iii) or (iv) of the preceding Article: the following matters:
- (a) the trade name or name of the parent corporation, etc. or subsidiary corporation, etc. which has come to fall under the provisions, or which has come to no longer fall under the provisions; and
  - (b) the date when it has come to fall under the parent corporation, etc. or subsidiary corporation, etc., or when it has come to no longer fall under the parent corporation, etc. or subsidiary corporation, etc.;

- (xi) the case falling under Article 199, item (iv) or (v) of the preceding Article: the following matters:
  - (a) the trade name of the holding company which has come to fall under the provisions, or which has come to no longer fall under the provisions; and
  - (b) the date when it has come to fall under a holding company, or has come to no longer fall under a holding company;
- (xii) the case falling under Article 199, item (v) or (ii) of the preceding Article: the following matters:
  - (a) the date when the petition for commencement of bankruptcy proceedings, commencement of rehabilitation proceedings, or commencement of reorganization proceedings has been filed, and the reasons for that; and
  - (b) the trade name or name of the person that has filed the petition for commencement of bankruptcy proceedings, commencement of rehabilitation proceedings, or commencement of reorganization proceedings;
- (xiii) if the case falls under Article 199, item (vi) or (iii) of the preceding Article: the following matters:
  - (a) the content of and reasons for the change; and
  - (b) the date when the change has taken place;
- (xiv) the case falling under Article 199, item (vii), item (xi), sub-item (e), or item (xiii), sub-item (a), or item (vi) of the preceding Article: the following matters:
  - (a) the name of the business office or office in which the problematic conduct, etc. has taken place (meaning the problematic conduct, etc. prescribed in Article 199, item (vii), or item (xiii), sub-item (a), or the problematic conduct, etc. prescribed in item (vi) of the preceding Article; hereinafter the same applies in this item and the following item) (in the case the problematic conduct, etc. has taken place for a financial instruments intermediary service provider, the trade name or name of the financial instruments intermediary service provider and the name of the business office or office in which the problematic conduct, etc. has taken place);
  - (b) the name and position of the officers or employees, or financial instruments intermediary service provider or their officers or employees, who have caused the problematic conduct, etc.; and
  - (c) an outline of the problematic conduct, etc.;
- (xv) if the case falls under Article 199, item (viii), item (xi), sub-item (f), item (xiii), sub-item (b), or item (vii) of the preceding Article: the following matters:
  - (a) the name of the business office or office in which the problematic conduct, etc. has taken place (if a problematic conduct, etc. has taken place for a financial instruments intermediary service provider, the trade name or



- name of the financial instruments intermediary service provider and the name of the business office or office in which the problematic conduct, etc. has taken place);
- (b) the name and position of the officers or employees or financial instruments intermediary service provider or their officers or employees, who have caused the problematic conduct, etc.;
  - (c) the details of the problematic conduct, etc.; and
  - (d) if in-house punishment has been taken, its content;
- (xvi) if the case falls under Article 199, item (ix) or item (viii) of the preceding Article: the matters set forth in (a) and (b) in accordance with the category of the cases set forth in sub-item (a) or (b):
- (a) if a person has become a party to an action or a conciliation, the following matters:
    - 1. the name and domicile of the parties to the action or conciliation;
    - 2. the date when the action or conciliation has been filed;
    - 3. the name of the court with jurisdiction; and
    - 4. the content of the case;
  - (b) if the action or conciliation has been concluded, the following matters:
    - 1. the name and domicile of the parties to the action or conciliation;
    - 2. the date when the action or conciliation was concluded; and
    - 3. the content of the judgment or settlement;
- (xvii) the case falling under Article 199, item (x): the following matters:
- (a) the content of the adverse disposition; and
  - (b) the date when the financial instruments business operator, etc. has become subject to the adverse disposition and reasons for that;
- (xviii) if the case falls under Article 199, item (xi), sub-item (a): the following matters:
- (a) if the case has come to fall under Article 29-4, paragraph (1), item (v), sub-item (a) of the Act, the date when the financial instruments business operator, etc. ceased to be a stock company prescribed in sub-item (a) of that item, and the reasons for that; and
  - (b) if the case has come to fall under Article 29-4, paragraph (1), item (v), sub-item (a) of the Act, the date when the net assets have come to be less than the amount specified in Article 15-9, paragraph (1) of the Order, and the reasons for that;
- (xix) if the case falls under Article 199, item (xi), sub-item (b): the date when the net assets have come to be less than the amount of the stated capital, and the reasons for that;
- (xx) if the case falls under Article 199, item (xi), sub-item (c): the matters specified in the following sub-items (a) through (c) in accordance with the category of the cases set forth in the sub-items (a) through (c):

- (a) if the financial instruments business operator, etc. becomes aware of the fact that any of their major shareholders has come to fall under Article 199, item (xi), sub-item (c), 1. or 2., the following matters:
1. the name of the major shareholder that has come to fall under the provisions;
  2. if the major shareholder has come to fall under Article 199, item (xi), sub-item (c), 1., the date when the major shareholder has come to fall under the provisions and the reasons for that;
  3. if the major shareholder or an agent (meaning the agent prescribed in Article 199, item (xi), (c), 1.; the same applies in clauses 4. through 7., item (xvi), sub-item (a) of the following Article, Article 208-31, paragraph (1), item (xi), sub-item (a) and paragraph (2), item (viii), sub-item (a), Article 246-24, paragraph (1), item (vi), sub-item (a), and Article 246-25, paragraph (1), item (iv), sub-item (a)) has come to fall under Article 29-4, paragraph (1), item (ii), sub-item (b) of the Act, the date when the major shareholder or the agent has become subject to the order for commencement of bankruptcy proceedings;
  4. if the major shareholder or an agent has come to fall under Article 29-4, paragraph (1), item (ii), sub-item (c) or (i) of the Act, the date when punishment became final and binding, and the type of the punishment;
  5. if the major shareholder or an agent has come to fall under Article 29-4, paragraph (1), item (ii), sub-item (d) or (e) of the Act, the date of revocation or order and the reasons for that; and
  6. if the major shareholder or an agent has come to fall under Article 29-4, paragraph (1), item (ii), sub-item (f) or (g) of the Act, the date of and reason for the notice under the provisions of Article 15 of the Administrative Procedure Act to be given and the date of and reason for making the notification under the provisions of Article 50-2, paragraph (1), Article 60-7, Article 63-2, paragraphs (2) through (4), Article 63-10, paragraphs (2) through (4), Article 66-19, paragraph (1), Article 66-40, paragraph (1) or Article 66-61, paragraph (1) of the Act, or Article 16, paragraph (3) of the Act on the Provision of Financial Services;
  7. if the major shareholder or an agent has come to fall under Article 29-4, paragraph (1), item (ii), sub-item (h) of the Act, the date when removal or dismissal has been ordered and the reasons for that;
- (b) if the financial instruments business operator becomes aware of the fact that any of their major shareholders has come to fall under Article 199, item (xi), sub-item (c), 3. or 4., the following matters:
1. the trade name or name of the major shareholder that has come to fall under the provisions;

2. if the major shareholder falls under Article 29-4, paragraph (1), item (i), sub-item (a) of the Act, the content and date of the registration, etc. granted to the major shareholder, and the date of and reasons for the revocation of the registration, etc., the content of the business for which the registration, etc. was revoked, and the content of the notification under the provisions of Article 63, paragraph (2), Article 63-3, paragraph (1), Article 63-9, paragraph (1) or Article 63-11, paragraph (1) of the Act made by the major shareholder, and the date of and reasons for the order of discontinuation of business for which the notification was made and the content of the business;
3. if the major shareholder falls under Article 29-4, paragraph (1), item (i), sub-item (b) of the Act, the date of and reason for the notice under the provisions of Article 15 of the Administrative Procedure Act to be given and the date of and reason for making the notification under the provisions of Article 50-2, paragraph (1), Article 60-7, Article 63-2, paragraph (2) or (3), Article 63-10, paragraph (2) or (3), Article 66-19, paragraph (1), Article 66-40, paragraph (1) or Article 66-61, paragraph (1) of the Act or Article 16, paragraph (3) of the Act on the Provision of Financial Services;
4. if the major shareholder falls under Article 29-4, paragraph (1), item (i), sub-item (c) of the Act, the provisions of the laws and regulations violated, the date when punishment became final and binding, and the amount of the fine;
5. if the major shareholder has come to fall under Article 199, item (xi), sub-item (c), 4., the name of the officer representing the corporation which has come to fall under either of sub-item (c), 4, i. or ii.;
6. if the officer representing the corporation who is the major shareholder has come to fall under Article 199, item (xi), sub-item (c), 4., i., the date when the officer came to fall under the provisions and the reasons for that;
7. if the officer representing the corporation who is the major shareholder has come to fall under Article 29-4, paragraph (1), item (ii), sub-item (b) of the Act, the date when the officer became subject to the order for commencement of bankruptcy proceedings;
8. if the officer representing the corporation who is the major shareholder has come to fall under Article 29-4, paragraph (1), item (ii), sub-item (c) or (i) of the Act, the date when punishment became final and binding, and the type of the punishment;
9. if the officer representing the corporation who is the major shareholder has come to fall under Article 29-4, paragraph (1), item (ii), sub-item (d) or (e) of the Act, the date of revocation or order and the reasons for

that;

10. if the officer representing the corporation who is the major shareholder falls under Article 29-4, paragraph (1), item (ii), sub-item (f) or (g) of the Act, the date of and reason for the notice under the provisions of Article 15 of the Administrative Procedure Act to be given and the date of and reason for making the notification under the provisions of Article 50-2, paragraph (1), Article 60-7, Article 63-2, paragraphs (2) through (4), Article 63-10, paragraphs (2) through (4), Article 66-19, paragraph (1), Article 66-40, paragraph (1) or Article 66-61, paragraph (1) of the Act, or Article 16, paragraph (3) of the Act on the Provision of Financial Services; and
  11. if the officer representing the corporation who is the major shareholder has come to fall under Article 29-4, paragraph (1), item (ii), sub-item (h) of the Act, the date when the removal or dismissal has been ordered and the reasons for that;
- (c) if the financial instruments business operator becomes aware of the fact that any of the persons equivalent to major shareholders related to a foreign corporation has come to fall under Article 29-4, paragraph (1), item (v), sub-item (f) of the Act, the following matters:
1. the trade name or name of the person equivalent to the major shareholder that has come to fall under the provisions; and
  2. the content of the confirmation on the major shareholder which had been made, and the date when the financial instruments business operator became aware that the confirmation has not been made and the reasons for that;
- (xxi) if the case falls under Article 199, item (xi), sub-item (d) or item (ix) of the preceding Article: the matters set forth in sub-items (a) and (b) below in accordance with the category of the cases set forth in the sub-items (a) and (b):
- (a) if the financial instruments business operator has come to know that a financial instruments intermediary service provider has become a party to an action or a conciliation, the following matters:
1. the trade name or name of the financial instruments intermediary service provider;
  2. the name and domicile of the parties to the action or conciliation;
  3. the date when the action or conciliation was filed;
  4. the name of the court with jurisdiction; and
  5. the content of the case.
- (b) if the financial instruments business operator has come to know that the action or conciliation to which the financial instruments intermediary service provider was the party, has been concluded, the following matters:

1. the trade name or name of the financial instruments intermediary service provider;
  2. the name and domicile of the parties to the action or conciliation;
  3. the date when the action or conciliation was concluded; and
  4. the content of the judgment or settlement;
- (xxii) if the case falls under Article 199, item (xi), sub-item (g) or item (x) of the preceding Article: the matters set forth in the following sub-items (a) and (b) in accordance with the category of the cases set forth in the sub-items (a) and (b):
- (a) if the financial instruments business operator has entrusted business to a financial instruments intermediary service provider, the following matters:
    1. the trade name or name of the financial instruments intermediary service provider; and
    2. the location of the head office, etc. of the financial instruments intermediary service provider;
  - (b) if the financial instruments business operator, etc. has come to no longer entrust business to a financial instruments intermediary service provider, the following matters:
    1. the trade name or name of the financial instruments intermediary service provider; and
    2. the reasons for no longer entrusting business;
- (xxiii) if the case falls under Article 199, item (xi), sub-item (h): the matters set forth in the following sub-items (a) and (b) in accordance with the category of the cases set forth in the sub-items (a) and (b):
- (a) if the financial instruments business operator has established a representative office, the following matters:
    1. the name and location of the representative office;
    2. the date of and reasons for establishing the office;
    3. the organization and assignment of personnel of the representative office; and
    4. an outline of the procedures to be taken in that foreign country;
  - (b) if the financial instruments business operator has abolished their representative office, the following matters:
    1. the name and location of the representative office; and
    2. the date of and reasons for the abolition;
- (xxiv) if the case falls under Article 199, item (xii), sub-item (a) or item (xiii), sub-item (c): the matters set forth in the following sub-items (a) and (b) in accordance with the category of the cases set forth in the sub-items (a) and (b):
- (a) if the financial instruments business operator has made a subordinated borrowing or has come to know that the subsidiary corporation, etc. has

- made a subordinated borrowing, the following matters:
1. the name of the lender, and the reasons for the borrowing;
  2. the borrowed amount (if it is denominated in foreign currency, the borrowed amount and the equivalent amount in yen), and the current balance and the outstanding balance after the borrowing; and
  3. the loan date, interest rates, and the due date for payment.
- (b) if the financial instruments business operator has issued subordinated bonds or has come to know that the subsidiary corporation, etc. has issued subordinated bonds, the following matters:
1. the method of and the reasons for the issuance;
  2. the total issuance amount (if it is denominated in foreign currency, the total issuance amount and the equivalent amount in yen), and the current balance and the outstanding balance after the issuance; and
  3. the issuance date, the interest rates, and the due date for redemption;
- (xxv) if the case falls under Article 199, item (xii), sub-item (b) or item (xiii), sub-item (d): the following matters:
- (a) the amount and date of the payment or redemption; and
  - (b) the outstanding balance after the payment or redemption.
- (xxvi) if the case falls under Article 199, item (xiv) or (xi) of the preceding Article: the following matters
- (a) the name of the business office or office in which the business has been commenced;
  - (b) the date of commencement of business;
- (xxvii) if the case falls under Article 199, item (xv): the matters set forth in the following sub-items (a) and (b) in accordance with the category of cases set forth in the sub-items (a) and (b):
- (a) if the case has come to fall under Article 66-53, item (vi), sub-item (b) of the Act, the date when it has come to fall under a person that has not appointed an agent in Japan; and
  - (b) if the case has come to fall under Article 66-53, item (vii) of the Act, the date when the net assets have become less than the amount specified in Article 18-4-10 of the Order and the reason for that.

(Documents to Be Attached to Written Notifications)

Article 202 A financial instruments business operator, etc. that files a notification pursuant to the provisions of Article 50, paragraph (1) of the Act (referred to as the "notifier" in item (iii)) must, if any of the category of the cases set forth in the following items is applicable, attach the document set forth in each of those items to the written notification stating the matters prescribed in the preceding Article:

- (i) if the case falls under Article 50, paragraph (1), item (i) of the Act (limited

- to cases in which the financial instruments business operator, etc. has suspended their business): the document stating the method of handling customers' accounts during the suspension period;
- (ii) if the case falls under Article 50, paragraph (1), item (ii) of the Act: the document stating the method of handling customers' accounts related to the discontinued business;
  - (iii) if the case falls under Article 50, paragraph (1), item (iii) of the Act: the documents set forth in the following sub-items (a) through (c) in accordance with the category of the documents set forth in the sub-items (a) through (c):
    - (a) if the financial instruments business operator, etc. has merged with another corporation, the following documents:
      - 1. the document stating the content of the merger agreement and the procedures for merger;
      - 2. the latest balance sheet of the parties (including the related notes; hereinafter the same applies in this Article);
      - 3. the net assets after the merger (if the notifier is a person that conducts type I financial instruments business (excluding a type-I small amount electronic public offering service provider), the net assets and the capital adequacy ratio; the same applies in sub-item (b), 3. and sub-item (c), 3.); and
      - 4. the document stating the method of handling customers' accounts;
    - (b) if the financial instruments business operator, etc. has succeeded to all or part of another corporation's business through a split, the following documents:
      - 1. a document stating the content of the absorption-type split agreement and the procedures for the split;
      - 2. the latest balance sheets of the parties;
      - 3. a document stating the net assets after the split;
    - (c) if the financial instruments business operator, etc. has acquired all or part of another corporation's business, the following documents:
      - 1. a document stating the content of the business acquisition contract and the procedures for the acquisition of the business;
      - 2. the latest balance sheets of the parties; and
      - 3. a document stating the net assets after acquiring the business;
  - (iv) if the case falls under Article 50, paragraph (1), item (v) of the Act (limited to a case in which the bank, etc. that holds a majority of the voting rights held by all shareholders, etc. has implemented a merger, dissolved, or discontinued all of its business): the following documents:
    - (a) a recent daily cash count sheet (for a merger, the latest balance sheets of the parties and a copy of the written merger agreement); and
    - (b) in cases of dissolution or discontinuation, a document stating the methods

- and procedures for liquidation;
- (v) if the case falls under Article 50, paragraph (1), item (vi) of the Act: the following documents:
  - (a) a document stating the outline of the business of the corporation or other organizations holding voting rights; and
  - (b) a document stating the total number of voting rights held by a corporation or other organizations holding the voting rights, and by its major shareholders;
- (vi) if the case falls under Article 50, paragraph (1), item (vii) of the Act: the following documents:
  - (a) copies of the documents related to filing of a petition for commencement of bankruptcy proceedings, commencement of rehabilitation proceedings or commencement of reorganization proceedings; and
  - (b) a recent daily cash count sheet.
- (vii) if the case falls under Article 199, item (i): the matters set forth in the following sub-items (a) through (d) in accordance with the category of the cases set forth in the sub-items (a) through (d):
  - (a) if a financial instruments business operator has come to fall under Article 29-4, paragraph (1), item (i), sub-item (a) of the Act (limited to the part related to the provisions of laws and regulations equivalent to the Act or the Act on the Provision of Financial Services), or if a registered financial institution has come to fall under Article 33-5, paragraph (1), item (i) of the Act (limited to the part related to the provisions of laws and regulations equivalent to the Act or the Act on the Provision of Financial Services), the following documents:
    1. a copy of the written order for the revocation or discontinuation of business or alternative documents; and
    2. a copy of the laws and regulations of the foreign country, and their Japanese translation;
  - (b) if a financial instruments business operator has come to fall under Article 29-4, paragraph (1), item (i), sub-item (c) of the Act, or if a registered financial institution has come to fall under Article 33-5, paragraph (1), item (ii) of the Act, a copy of the judgment document on the final and binding judgment, or a document stating the content of the final and binding judgment.
  - (c) if a financial instruments business operator has come to fall under Article 29-4, paragraph (1), item (iii) of the Act (excluding item (ii), sub-item (a) of that paragraph and the part related to important employees), the following documents:
    1. if the financial instruments business operator has come to fall under Article 29-4, paragraph (1), item (ii), sub-item (b) of the Act, a copy of



- the written judgment on the order for commencement of bankruptcy proceedings, or the document stating the content of the order for the commencement of bankruptcy proceedings;
2. if the financial instruments business operator has come to fall under Article 29-4, paragraph (1), item (ii), sub-item (c) or (i) of the Act, a copy of the judgment document on the final and binding judgment, or a document stating the content of the final and binding judgment;
  3. if the financial instruments business operator has come to fall under Article 29-4, paragraph (1), item (ii), sub-item (d) or (e) of the Act and a revocation or discontinuation has been ordered in a foreign country, a copy of the written order for revocation or discontinuation or its alternative document, and a copy of foreign laws and regulations that serves as the basis of the rescission or discontinuation of business and its Japanese translation;
- (d) if a financial instruments business operator has come to fall under Article 29-4, paragraph (1), item (iv), sub-item (a) of the Act, a certificate of registered information or alternative documents;
- (viii) if the case falls under Article 199, item (ii) (limited to the part related to sub-item (b)): the following documents:
- (a) if an officer or important employee has come to fall under Article 29-4, paragraph (1), item (ii), sub-item (b) of the Act, a copy of the written judgment on the order for commencement of bankruptcy proceedings, or the document stating the content of the order for commencement of bankruptcy proceedings;
  - (b) if an officer or important employee has come to fall under Article 29-4, paragraph (1), item (ii), sub-item (c) or (i) of the Act, a copy of the judgment document on the final and binding judgment, or the document stating the content of the final and binding judgment;
  - (c) if an officer or important employee has come to fall under Article 29-4, paragraph (1), item (ii), sub-item (d) or (e) of the Act, and if business has been revoked or ordered to be discontinued in a foreign country, a copy of foreign laws and regulations that serves as the basis of the revocation or discontinuation and their Japanese translation;
- (ix) if the case falls under Article 199, item (iii) or Article 200, item (iv): the following documents:
- (a) a document that states the outline of the business of the parent corporation, etc. or subsidiary corporation, etc. which has come to fall under the provisions, or which has come to no longer fall under the provisions; and
  - (b) a document that indicates the relationship between the financial instruments business operator, etc., and their parent corporation, etc. or

- subsidiary corporation, etc.;
- (x) if the case falls under Article 199, item (iv) or Article 200, item (v): the following documents:
    - (a) a document that states the outline of the holding company which has come to fall under the provisions, or which has come to no longer fall under the provisions; and
    - (b) a document indicating the relationship between a financial instruments business operator, etc. and a holding company;
  - (xi) if the case falls under Article 199, item (v) or Article 200, item (ii): a recent daily cash count sheet;
  - (xii) if the case falls under Article 199, item (vi) or Article 200, item (iii): the amended articles of incorporation;
  - (xiii) if the case falls under Article 199, item (x): a copy of foreign laws and regulations that provides for the adverse disposition, and their Japanese translation;
  - (xiv) if the case falls under Article 199, item (xi), sub-item (a) (limited to cases in which the net assets have become less than the amount specified in Article 15-9, paragraph (1) of the Order): the daily cash count sheet on the day when the net assets have become less than the amount specified in Article 15-9, paragraph (1) of the Order, and the document stating the calculated net assets on that day;
  - (xv) if the case falls under Article 199, item (xi), sub-item (b): the daily cash count sheet on the day when the net assets have become less than the amount of the stated capital, and the document stating the calculated net assets on that day;
  - (xvi) if the case falls under Article 199, item (xi), sub-item (c): the matters specified in the following sub-items (a) and (b) in accordance with the category of the cases set forth in the sub-items (a) and (b):
    - (a) if the financial instruments business operator becomes aware of the fact that any of their major shareholders has come to fall under Article 199, item (xi), sub-item (c), 1. or 2., the following documents:
      1. if the major shareholder or an agent has come to fall under Article 29-4, paragraph (1), item (ii), sub-item (b) of the Act, a copy of the written judgment on the order for commencement of bankruptcy proceedings, or the document stating the content of the order for commencement of bankruptcy proceedings;
      2. if the major shareholder or an agent has come to fall under Article 29-4, paragraph (1), item (ii), sub-item (c) or (i) of the Act, a copy of the judgment document on the final and binding judgment, or a document stating the content of the final and binding judgment;
      3. if the major shareholder or an agent has been punished in a foreign

- country, a copy of the foreign laws and regulation that has served as the basis of the punishment and their Japanese translation;
4. if the major shareholder or an agent has had a registration, etc. revoked or has been ordered to discontinue business in a foreign country, a copy of the foreign laws and regulations which serves as the basis of the rescission of registration, etc., or discontinuation of business and their Japanese translation;
- (b) if the financial instruments business operator becomes aware of the fact that any of their major shareholders has come to fall under Article 199, item (xi), sub-item (c), 3. or 4., ii. of the Act, the following documents:
1. if the major shareholder has come to fall under Article 29-4, paragraph (1), item (i), sub-item (a) of the Act, a copy of the written order for revocation or discontinuation of business or alternative documents;
  2. if the major shareholder falls under Article 29-4, paragraph (1), item (i), sub-item (a) of the Act or if the officer representing the corporation that is a major shareholder falls under item (ii), sub-item (d) or (e) of that paragraph, and the registration, etc. was revoked or the discontinuation of business was ordered in a foreign country, a copy of foreign laws and regulations that has served as the basis of the revocation or discontinuation of business and their Japanese translation;
  3. if the major shareholder has come to fall under Article 29-4, paragraph (1), item (i), sub-item (c) of the Act, a copy of the judgment document on the final and binding judgment, or a document stating the content of the final and binding judgment;
  4. if an officer representing the corporation who is a major shareholder has come to fall under Article 29-4, paragraph (1), item (ii), sub-item (b) of the Act, a copy of the written judgment on the order for commencement of bankruptcy proceedings, or the document stating the content of the order for commencement of bankruptcy proceedings; and
  5. if an officer representing a corporation who is a major shareholder has come to fall under Article 29-4, paragraph (1), item (ii), sub-item (c) or (i) of the Act, a copy of the judgment document on the final and binding judgment, or a document stating the content of the final and binding judgment;
- (xvii) if the case falls under Article 199, item (xi), sub-item (g) or Article 200, item (x) (limited to when the financial instruments business operator, etc. has entrusted business to a financial instruments intermediary service provider): a copy of the written contract for the entrustment of business;
- (xviii) if the case falls under Article 199, item (xii), sub-item (a) or item (xiii), sub-item (c): the following cases:

- (a) if the financial instruments business operator has made a subordinated borrowing or has become aware that the subsidiary corporation, etc. has made a subordinated borrowing, a copy of the written contract; and
- (b) if the financial instruments business operator has issued subordinated corporate bonds or has come to know that the subsidiary corporation, etc. has issued subordinated bonds, a copy of the prospectus or any other equivalent document;
- (xix) if the case falls under Article 199, item (xv) (limited to the case that has come to fall under Article 66-53, item (vii) of the Act): the daily cash count sheet on the day when the net assets have become less than the amount specified in Article 18-4-10 of the Order, and the document stating the calculated net assets on that day.

(Criteria for Determining Holding of Majority Voting Rights)

- Article 203 (1) For the purpose of the determining holding of majority voting rights specified in Article 50, paragraph (2) of the Act, the voting rights held are to include the voting rights related to the shares or equity owned under the name of another person and the voting rights related to shares or equity to which any of the cases set forth in the items of Article 35, paragraph (1) applies.
- (2) Notwithstanding the provisions of the preceding paragraph, the voting rights held referred to in the preceding paragraph are to exclude the voting rights related to the shares or equity set forth in the items of Article 35, paragraph (2).

(Notification of Discontinuation of Business)

- Article 204 (1) A person that gives a notification pursuant to the provisions of Article 50-2, paragraph (1) of the Act must submit a written notification stating the matters specified in the following items in accordance with the category of the cases set forth in each of those items to the Commissioner of the Financial Services Agency or the competent Director-General of a Local Finance Bureau:
- (i) if the case falls under Article 50-2, paragraph (1), item (i) of the Act: that fact and the date of death;
  - (ii) if the case falls under Article 50-2, paragraph (1), item (ii) of the Act: the date of the discontinuation and the reasons for the discontinuation;
  - (iii) if the case falls under Article 50-2, paragraph (1), item (iii) of the Act: the following matters:
    - (a) the trade name or name of the other party to the merger;
    - (b) the date of the merger and the reasons for the merger; and
    - (c) the method of the merger;

- (iv) if the case falls under Article 50-2, paragraph (1), item (iv) of the Act: the following matters:
    - (a) the date when the petition for commencement of bankruptcy proceedings has been filed; and
    - (b) the date when the order for commencement of bankruptcy proceedings has been issued;
  - (v) if the case falls under Article 50-2, paragraph (1), item (v) of the Act: the date of the dissolution and the reasons for the dissolution;
  - (vi) if the case falls under Article 50-2, paragraph (1), item (vi) of the Act: the following matters:
    - (a) the trade name or name of the successor; and
    - (b) the date of the split and the reasons for the split;
  - (vii) if the case falls under Article 50-2, paragraph (1), item (vii) of the Act: the following matters:
    - (a) the trade name or name of the transferee; and
    - (b) the date of the transfer and the reasons for the transfer.
  - (viii) if the case falls under Article 50-2, paragraph (1), item (viii) of the Act: that fact and the date when the person obtained the registration or the registration of change.
- (2) The documents specified in the following items in accordance with the category of the cases set forth in each of those items must be attached to the written notification referred to in the preceding paragraph:
- (i) if the case falls under Article 50-2, paragraph (1), item (i) or (ii) of the Act: the following documents:
    - (a) a recent daily cash count sheet; and
    - (b) the document stating the method of settling the claims and obligations against customers.
  - (ii) if the case falls under Article 50-2, paragraph (1), item (iii) of the Act: the following documents:
    - (a) the document stating the content of the merger agreement and the procedures for merger; and
    - (b) the document stating the method of transferring the claims and obligations against customers to the corporation surviving the merger;
  - (iii) if the case falls under Article 50-2, paragraph (1), item (iv) of the Act: the following documents:
    - (a) a copy of the written judgment on the order for commencement of bankruptcy proceedings, or a document stating the content of the order for commencement of bankruptcy proceedings; and
    - (b) the document stating the method of settling the claims and obligations against customers.
  - (iv) if the case falls under Article 50-2, paragraph (1), item (v) of the Act: the

document stating the method of settling the claims and obligations against customers.

- (v) if the case falls under Article 50-2, paragraph (1), item (vi) of the Act: the following documents:
  - (a) the document stating the content of the incorporation-type split plan or the absorption-type split agreement, and the procedures for the split; and
  - (b) the document stating the method of transferring the claims and obligations against customers to the successor.
- (vi) if the case falls under Article 50-2, paragraph (1), item (vii) of the Act: the following documents:
  - (a) the document stating the content of the business transfer contract; and
  - (b) the document stating the method of transferring the claims and obligations against customers to the transferee.
- (vii) if the case falls under Article 50-2, paragraph (1), item (viii) of the Act: a copy of the document related to the notice under the provisions of Article 14, paragraph (2) of the Act on the Provision of Financial Services (including as applied mutatis mutandis pursuant to Article 16, paragraph (2) of that Act).

(Public Notice on Discontinuation of Business)

- Article 205 (1) The public notice under the provisions of Article 50-2, paragraph (6) of the Act is to be given by means of publication in the Official Gazette or in a daily newspaper that publishes matters on current affairs (if the financial instruments business operator, etc. is a corporation, by the means of giving public notice adopted by the corporation (including the period of the public notice)).
- (2) When giving the public notice pursuant to the provisions of Article 50-2, paragraph (6) of the Act or posting the public notice at the business office or office, the method for completing the customer's transactions prescribed in paragraph (8) of that Article, and the method for restituting property deposited by the customers in connection to the financial instruments business, etc. (excluding investment advisory and agency business) or property possessed by the financial instruments business operator, etc. on the customers' account are to be indicated.
  - (3) The following matters are to be stated in the written notification prescribed in Article 50-2, paragraph (7) of the Act:
    - (i) the trade name or name;
    - (ii) the registration date and the registration number;
    - (iii) the grounds on which the notification was filed; and
    - (iv) the scheduled date of the occurrence of the grounds for filing the notification.
  - (4) A document stating the methods provided for in paragraph (2) is to be

attached to the written notification referred to in the preceding paragraph.

(Public Notice for Persons Whose Whereabouts Are Unknown)

Article 206 The public notice under the provisions of Article 52, paragraph (4) and Article 52-2, paragraph (3) of the Act are to be given in an Official Gazette.

(Public Notice of Supervisory Dispositions)

Article 207 The public notice under the provisions of Article 54-2 of the Act (for a registered financial institution, excluding item (ii) of that Article) is to be given in an Official Gazette.

(Retention of Assets in Japan)

Article 208 The amount of the liabilities prescribed in Article 17-2 of the Order is to be calculated by deducting the amount of the obligations held against non-residents from the amount of the liabilities required to be recorded in the liability section of the balance sheet (including the amount of the guarantee obligation).

## **Section 4-2 Special Provisions on Special Financial Instruments**

### **Business Operators**

#### **Subsection 1 Special Financial Instruments Business Operators**

(Calculation of Total Amount of Assets)

Article 208-2 The total amount of assets calculated pursuant to the provisions of Article 57-2, paragraph (1) of the Act is to be calculated by adding up the amounts required to be recorded in the assets section of the balance sheet.

(Documents That Are Difficult to Submit Within One Month from the Notification Date)

Article 208-3 (1) The documents specified by Cabinet Office Order as prescribed in Article 17-2-3, paragraph (1) of the Order are the documents stating the matters specified in the form set forth in Article 208-5, item (ii).

(2) When a special financial instruments business operator whose parent company (meaning the parent company prescribed in Article 57-2, paragraph (8) of the Act; hereinafter the same applies in this Section) is a foreign company seeks to obtain the approval referred to in the proviso to Article 17-2-3, paragraph (1) of the Order, a written application for approval stating the following matters must be submitted to the Commissioner of the Financial Services Agency:

(i) the trade name;

(ii) the registration date and the registration number;

- (iii) the trade name or name of the parent company;
  - (iv) the period for which the approval is sought concerning the submission of the documents prescribed in Article 17-2-3, paragraph (1) of the Order;
  - (v) the notification date (meaning the notification date prescribed in Article 57-2, paragraph (2) of the Act; hereinafter the same applies in this Section); and
  - (vi) the reasons that the approval is necessary concerning the submission of the documents prescribed in Article 17-2-3, paragraph (1) of the Order.
- (3) The following documents must be attached to the written application for approval referred to in the preceding paragraph:
- (i) the articles of incorporation of the parent company, or alternative documents;
  - (ii) if the reasons referred to in item (vi) of the preceding paragraph is due to the laws and regulations or practices of the home country of the parent company, the legal opinion letter by a law expert on the fact that the matters related to the laws and regulations or practices stated in the written application for approval are true and accurate and a copy of the relevant provisions of the related laws and regulations set forth in the legal opinion letter; and
  - (iii) if the reasons referred to in item (vi) of the preceding paragraph are due to those other than the laws and regulations or practices of the home country of the parent company, a document certifying those reasons.
- (4) If the application for approval referred to in paragraph (2) has been filed, and it is found that the special financial instruments business operator is unable to submit the documents prescribed in Article 17-2-3, paragraph (1) of the Order within three months from the notification date due to the laws and regulations or practices of the home country of the parent company and other unavoidable reasons, the Commissioner of the Financial Services Agency is to grant the approval referred to in that paragraph.

(Matters to Be Stated Related to the Parent Company)

Article 208-4 The matters specified by Cabinet Office Order as prescribed in Article 57-2, paragraph (2), item (i) of the Act are the following matters:

- (i) the amount of stated capital or the total amount of contribution;
- (ii) the name and location of the head office or principal office (for a foreign company, when it has an office in Japan, including its principal office in Japan); and
- (iii) the content of business.

(Documents Stating the Status of Business and Property of the Parent Company and Its Subsidiary Corporations)

Article 208-5 The documents set forth in Article 57-2, paragraph (2), item (ii) of



the Act are to be prepared by stating the matters specified in the following forms:

- (i) Appended Form No. 17-2; and
- (ii) Appended Form No. 17-3.

(Documents Stating the Content and Method of Support on Business Management or Funding)

Article 208-6 The documents set forth in Article 57-2, paragraph (2), item (iv) of the Act are to be prepared by stating the following matters:

- (i) the following matters as the content and method of business management:
  - (a) the trade name or name of the parent company conducting business management;
  - (b) the method of business management;
  - (c) the system related to business management; and
  - (d) when an officer or employee of the parent company serves concurrently as an officer of the special financial instruments business operator, their name and the title at the parent company and the special financial instruments business operator and the date they assumed office.
- (ii) the following matters as the content and method of support related to funding:
  - (a) the policy and method of support related to funding; and
  - (b) the standards for providing support related to funding.

(Documents That Are Difficult to Submit Within One Month from the Day of Coming to Have a Parent Company after the Notification Date)

Article 208-7 The provisions of Article 208-3, paragraph (1) apply mutatis mutandis to the matters specified by Cabinet Office Order as prescribed in Article 17-2-3, paragraph (2) of the Order; and the provisions of Article 208-3, paragraphs (2) through (4) apply mutatis mutandis to cases in which a special financial instruments business operator whose parent company is a foreign company seeks to obtain the approval referred to in the proviso to Article 17-2-3, paragraph (2) of the Order. In this case, the phrase "notification date (meaning the notification date prescribed in Article 57-2, paragraph (2) of the Act; hereinafter the same applies in this Section)" in Article 208-3, paragraph (2), item (v) is deemed to be replaced with "The day when it comes to have a parent company after the notification date (meaning the notification date prescribed in Article 57-2, paragraph (2) of the Act; hereinafter the same applies in this Section)"; and the term "notification date" in paragraph (4) of that Article is deemed to be replaced with "the day when it comes to have a parent company after the notification date".

(Documents Related to a Parent Company Exempted from Submitting  
Notification of Change)

Article 208-8 The documents specified by Cabinet Office Order as prescribed in Article 57-2, paragraph (4) are the documents set forth in paragraph (2), items (iii) and (iv) of that Article.

(Notification of Change of Documents Related to a Parent Company)

Article 208-9 A special financial instruments business operator that files a notification pursuant to the provisions of Article 57-2, paragraph (4) of the Act must attach the document set forth in paragraph (2), item (i), item (iii), or item (iv) of that Article (limited to matters whose content has been changed) to the notification stating the content of the change, the date of the change, and the reasons for the change and submit them to the Commissioner of the Financial Services Agency.

(Documents Stating the Status of Business and Property of the Parent  
Company and Its Subsidiary Corporation)

Article 208-10 (1) The documents prescribed in Article 57-2, paragraph (5) of the Act are to be prepared by stating the matters specified in the following forms:

- (i) Appended Form No. 17-2; and
- (ii) Appended Form No. 17-3.

(2) The documents specified by Cabinet Office Order as prescribed in Article 57-2, paragraph (5) of the Act are the documents stating the matters specified in the forms set forth in the items of the preceding paragraph.

(Documents That Are Difficult to Submit Within One Month After the End of  
the Quarter)

Article 208-11 (1) The documents specified by Cabinet Office Order as prescribed in Article 17-2-3, paragraph (3) of the Order are the documents stating the matters specified in the forms set forth in paragraph (1), item (ii) of the preceding Article.

(2) When a special financial instruments business operator whose parent company is a foreign company seeks to obtain the approval referred to in the proviso to Article 17-2-3, paragraph (3) of the Order, they must submit a written application for approval stating the following matters to the Commissioner of the Financial Services Agency:

- (i) the trade name;
- (ii) the registration date and the registration number;
- (iii) the trade name or name of the parent company;
- (iv) the period approval is sought concerning the submission of the documents prescribed in Article 17-2-3, paragraph (3) of the Order; and

- (v) the reasons that the approval is necessary concerning the submission of the documents prescribed in Article 17-2-3, paragraph (3) of the Order.
- (3) The following documents must be attached to the written application for approval referred to in the preceding paragraph:
  - (i) the articles of incorporation of the parent company, or alternative documents;
  - (ii) if the reasons referred to in item (v) of the preceding paragraph is due to the laws and regulations or practices of the home country of the parent company, a legal opinion letter by a law expert on the fact that the matters related to the laws and regulations or practices stated in the written application for approval are true and accurate, and a copy of the relevant provisions of the related laws and regulations set forth in the legal opinion letter; and
  - (iii) if the reasons referred to in item (v) of the preceding paragraph are due to those other than the laws and regulations or practices of the home country of the parent company, a document certifying those reasons.
- (4) If the application for approval referred to in paragraph (2) has been filed, and it is found that the special financial instruments business operator is unable to submit the documents prescribed in Article 17-2-3, paragraph (3) of the Order within three months after the end of the quarter (meaning the quarter prescribed in Article 46-6, paragraph (3) of the Act; hereinafter the same applies in this Article and Article 208-14) due to the laws and regulations or practices of the home country of the parent company and other unavoidable reasons, the Commissioner of the Financial Services Agency is to grant the approval set forth in the proviso to Article 17-2-3, paragraph (3) of the Order for the documents related to the quarter for the period from the quarter that includes the day when the application has been filed (if the day is within three months (if approval has been obtained for the submission of the documents related to the quarter immediately before the quarter in question, within that approved period) after the quarter has commenced, the quarter immediately before the quarter in question) until the quarter immediately before the quarter that includes the day when the reason referred to in paragraph (2), item (v) related to the application ceases to exist or changes.
- (5) The Commissioner of the Financial Services Agency is to grant the approval referred to in the proviso to Article 17-2-3, paragraph (3) of the Order on the condition that the special financial instruments business operator referred to in the preceding paragraph submits to the Commissioner of the Financial Services Agency the documents stating the following matters (for the matters set forth in item (ii), limited to cases in which the reasons referred to in paragraph (2), item (v) is due to the laws and regulations or practices of the home country of the parent company) within three months after the end of each

quarter; provided, however, that if the content of the matters set forth in item (ii) is the same as the content of the matters stated in the document submitted within five years before the submission of the document, the entry of those matters may be omitted:

- (i) the fact that the reasons for filing the application related to the approval has not ceased to exist or changed during the quarter; and
- (ii) a legal opinion letter by a legal expert on the matters set forth in the preceding item, and a copy of the relevant provisions of the related laws and regulations set forth in the legal opinion letter.

(Business Reports)

Article 208-12 (1) The business report to be submitted by a special financial instruments business operator pursuant to the provisions of Article 57-3, paragraph (1) of the Act must be prepared by using the Appended Form No. 17-4.

- (2) In preparing the business report referred to in the preceding paragraph, a special financial instruments business operator is to comply with the business accounting practices generally accepted as fair and appropriate.

(Matters to Be Stated in Explanatory Documents)

Article 208-13 The matters specified by Cabinet Office Order as prescribed in Article 57-4 of the Act are the following matters:

- (i) the following matters related to the outline of a special financial instruments business operator and their subsidiary corporations, etc. (excluding a subsidiary corporation, etc. that does not have a significant impact on the content of the explanatory documents referred to in Article 57-4 of the Act; hereinafter the same applies in this Article):
  - (a) the trade name of the special financial instruments business operator, the registration date and the registration number, and the notification date;
  - (b) the content of major business and the structure of the organization of the special financial instruments business operator and their subsidiary corporations, etc.; and
  - (c) the following matters concerning the special financial instruments business operator and their subsidiary corporations, etc.:
    - 1. the trade name or name;
    - 2. the location of the head office or principal office;
    - 3. the amount of stated capital, the total amount of the funds, or the total amount of contribution;
    - 4. the content of business;
    - 5. the percentage of the number of voting rights of a subsidiary corporation, etc. held by the special financial instruments business operator to the

- number of voting rights held by all shareholders, etc. of the subsidiary corporation, etc.; and
6. the percentage of the number of the voting rights of a single subsidiary corporation, etc. of the special financial instruments business operator held by the special financial instruments business operator and their subsidiary corporations, etc. other than that single subsidiary corporation, etc. to the number of voting rights held by all shareholders, etc. of that single subsidiary corporation, etc.;
- (ii) the following matters concerning the business status of the special financial instruments business operator and their subsidiary corporation, etc.:
- (a) an outline of the business in the latest business year; and
  - (b) the following matters as indicators of the business status in the latest three consecutive fiscal years (meaning the period related to the preparation of the matters set forth in sub-item (a) of the following item; hereinafter the same applies in this Article and Article 208-26):
    1. the operating profit and net operating profit;
    2. the ordinary profit or ordinary loss;
    3. the net profit for the current year or the net loss for the current year attributable to shareholders of the parent company;
    4. the comprehensive income;
    5. the amount of net assets
    6. the amount of total assets; and
    7. the consolidated capital adequacy ratio on the last day of each consolidated fiscal year (meaning the ratio obtained by the formula related to the standard on whether the adequacy of equity capital prescribed in Article 57-5, paragraph (1) of the Act is appropriate; the same applies in sub-item (f) of the following item);
- (iii) the following matters as the matters concerning the status of property of the special financial instruments business operator and their subsidiary corporation, etc. in the latest two consolidated fiscal years:
- (a) the consolidated balance sheet (including the related notes), the consolidated profit and loss statement (including the related notes), and the consolidated comprehensive income statement (including the related notes) or the consolidated profit and loss and the comprehensive income statement (including the related notes), and the consolidated statements of the changes in shareholders' equity (including the related notes);
  - (b) the following matters on the last day of each consolidated business year:
    1. the major lenders of money and the borrowed amount;
    2. the acquisition value, the market value, and the profit or loss from valuation, of the securities held (excluding the securities managed by considering them as belonging to trading products for accounting

- (meaning trading products for the items of the consolidated balance sheet; the same applies in 3.)); and
3. the contract value, the market value, and the profit or loss from valuation, of the derivative transactions (excluding the transactions managed by considering them as belonging to trading products for accounting);
  - (c) if the special financial instruments business operator and their subsidiary corporation, etc. (meaning the subsidiary corporation, etc. prescribed in Article 15-16-2, paragraph (2) of the Order, and excluding the subsidiary corporation, etc. that does not have a significant impact on the content of the explanatory documents referred to in Article 57-4 of the Act) conduct two or more different types of businesses, the amount calculated as the amount of operating profit, net operating profit, ordinary profit or ordinary loss, and the amount of assets (referred to as "operating profit, etc." in sub-item (c)) (excluding the case in which the ratio of the amount of each operating profit, etc. to the total amount of operating profit, etc. is small) in accordance with the category of each business type;
  - (d) if the document set forth in sub-item (a) has been audited by a financial auditor pursuant to the provisions of Article 444, paragraph (4) of the Companies Act, that fact;
  - (e) if audit certification by a certified public accountant or an auditing corporation has been received for the documents set forth in sub-item (a) based on the provisions of Article 193-2 of the Act, that fact; and
  - (f) soundness of management (meaning the soundness of management prescribed in Article 57-5, paragraph (2) of the Act, and excluding those related to the consolidated capital adequacy ratio).

(Public Inspection of Explanatory Documents)

Article 208-13-2 When a special financial instruments business operator publicizes explanatory documents by using the internet or other means pursuant to the provisions of Article 57-4 of the Act, they must publicize the documents in a manner that enables easy access for investors at all times.

(Submission of Documents Stating the Soundness of Management)

Article 208-14 The notification under the provisions of Article 57-5, paragraph (2) of the Act must be given by submitting a document stated in accordance with the provisions of Article 180, paragraphs (2) and (3) to the Commissioner of the Financial Services Agency within fifty days after the end of each quarter.

(Public Inspection of Documents Stating the Soundness of Management)

Article 208-15 The keeping of documents and their public inspection under the

provisions of Article 57-5, paragraph (3) of the Act must be made by using the document stated in accordance with the provisions of Article 180, paragraphs (2) and (3).

(Public Notice of Supervisory Dispositions)

Article 208-16 The public notice under the provisions of Article 57-7 of the Act is to be given in an Official Gazette.

(Persons Classified as Parent Companies)

Article 208-17 The companies specified by Cabinet Office Order as prescribed in Article 57-10, paragraph (2) of the Act are the companies specified in Article 38-3.

## **Subsection 2 Designated Parent Companies**

(Content and Means of Support on Business Management or Funding)

Article 208-18 The matters specified by Cabinet Office Order as prescribed in Article 57-13, paragraph (1), item (vi) of the Act are as follows:

(i) the following matters as the content and method of business management:

(a) the method of business management;

(b) the system related to business management; and

(c) when an officer or employee of the designated parent company serves concurrently as an officer of the subject special financial instruments business operator, their name and title at the designated parent company and the subject special financial instruments business operator, and the date they assume office.

(ii) the following matters as the content and method of support on procurement of funds:

(a) the policy and method of providing support on procurement of funds; and

(b) the standards for providing support on procurement of funds.

(Matters to Be Stated in the Documents by Designated Parent Companies)

Article 208-19 The matters specified by Cabinet Office Order as prescribed in Article 57-13, paragraph (1), item (vii) of the Act are as follows:

(i) the content of business;

(ii) the percentage of the number of voting rights of a subject special financial instruments business operator held by the designated parent company to the number of voting rights held by all shareholders, etc. of the subject special financial instruments business operator; and

(iii) the percentage of the number of the voting rights of a single subject special financial instruments business operator of the designated parent company

held by the designated parent company and its subsidiary corporations, etc. other than that single subject special financial instruments business operator to the number of voting rights held by all shareholders, etc. of that single subject special financial instruments business operator.

(Documents to Be Attached to the Documents by Designated Parent Companies)

Article 208-20 The documents set forth in Article 57-13, paragraph (2), item (ii) of the Act are as follows:

- (i) the documents stating the personnel structure and the system for conducting business of the organization;
- (ii) the resumes of the officers (if an officer is a corporation, the document stating the background of the officer);
- (iii) extracts of the resident records of the officers (if an officers is a corporation, the certificate of registered information of the officer), or alternative documents;
- (iv) if the former surname and given name of an officer are stated together with the current name of the officer in the document referred to in Article 57-13, paragraph (1) of the Act, and the document set forth in the preceding item is not a document certifying the officer's the former surname and given name, a document certifying the former surname and given name;
- (v) certificates issued by a public agency certifying that the officers do not fall under Article 29-4, paragraph (1), item (ii), sub-item (b) of the Act, or alternative documents;
- (vi) a document with which the officer themselves pledge that they do not fall under any of Article 29-4, paragraph (1), item (ii), sub-item (a), or sub-items (c) through (i) of the Act; and
- (vii) a document stating the following matters as the status of a subsidiary corporation, etc.:
  - (a) the trade name or name;
  - (b) the amount of the stated capital, the total amount of funds, or the total amount of contribution;
  - (c) the location of the head office or principal office;
  - (d) the content of business;
  - (e) the percentage of the number of voting rights of a subsidiary corporation, etc. held by the designated parent company to the number of voting rights held by all shareholders, etc. of the subsidiary corporation, etc.; and
  - (f) the percentage of the number of the voting rights of a single subsidiary corporation, etc. of the designated parent company held by the designated parent company and their subsidiary corporations, etc. other than that single subsidiary corporation, etc. to the number of voting rights held by



all shareholders, etc. of that single subsidiary corporation, etc.

(Electronic or Magnetic Records)

Article 208-21 (1) The electronic or magnetic records specified by Cabinet Office Order as prescribed in Article 57-13, paragraph (3) of the Act must fall under any of the following structures set forth in the following items:

- (i) a 90mm flexible magnetic disc cartridge that complies with Japanese Industrial Standard (hereinafter referred to as "JIS") X6223;
  - (ii) a 120mm optical disc that complies with JIS X0606 and JIS X6282.
- (2) Record in the electronic or magnetic record referred to in item (i) of the preceding paragraph must be made in accordance with the following methods:
- (i) for track formats, the method specified in JIS X6225; and
  - (ii) for volume and file configuration, the method specified in JIS X0605.
- (3) The following matters must be stated for the electronic or magnetic record referred to in paragraph (1):
- (i) the trade name or name of the designated parent company; and
  - (ii) the notification date.

(Notification of Changes)

Article 208-22 The designated parent company that files a notification pursuant to the provisions of Article 57-14 must attach the documents specified in the following items in accordance with the category of cases set forth in each of those items to the written notification stating the content of the change, the date of the change, and the reasons for the change, and submit them to the Commissioner of the Financial Services Agency; provided, however, that if there are compelling reasons, it is sufficient to submit the documents specified in each of those items after the submission of the notification without delay:

- (i) if there is any change to the matters set forth in Article 57-13, paragraph (1), item (i), item (ii), or item (iv) of the Act: the certificate of registered information stating the changed matters, or alternative documents;
- (ii) if there is any change to the matters set forth in Article 57-13, paragraph (1), item (iii) of the Act: the following documents:
  - (a) the documents stating the personnel structure and the system for conducting business of the organization, etc.;
  - (b) the certificate of registered information stating the changed matters, or alternative documents; and
  - (c) the following documents related to the person that has newly become an officer:
    - 1. the resume of the officer (if an officers is a corporation, a document stating the background of the officer);
    - 2. extracts of the resident record of the officer (if an officers is a

corporation, the certificate of registered information of the officer), or alternative documents;

3. if the former surname and given name are stated together with the current name in a written notification and the document set forth in 2. is not a document certifying the former surname and given name, a document certifying the former surname and given name;
  4. certificates issued by a public agency certifying that the person does not fall under Article 29-4, paragraph (1), item (ii), sub-item (b) of the Act, or alternative documents; and
  5. documents with which the officer pledges that they do not fall under any of Article 29-4, paragraph (1), item (ii), sub-item (a), or sub-items (c) through (i) of the Act;
  6. documents with which the officer pledges that they do not fall under Article 57-20, paragraph (1), item (i) of the Act (limited to the part related to Article 29-4, paragraph (1), item (ii), sub-item (a) of the Act); and
- (iii) if there is any change to the matters set forth in Article 57-13, paragraph (1), item (v) or (vi) of the Act: the document stating the matters that were changed.

#### (Business Reports)

Article 208-23 (1) The business report to be submitted by the highest designated parent company pursuant to the provisions of Article 57-15, paragraph (1) of the Act must be prepared by using the Appended Form No. 17-5.

- (2) When preparing the business report referred to in the preceding paragraph, the highest designated parent company is to comply with business accounting practices generally accepted as fair and appropriate or designated international accounting standards.

#### (Procedures for Obtaining Approval of Due Date for Submitting Business Reports)

Article 208-24 (1) When the highest designated parent company that is a foreign company seeks to obtain the approval referred to in Article 57-15, paragraph (1) of the Act as applied pursuant to the provisions of Article 17-2-12, paragraph (2) of the Order following the deemed replacement of terms, it must submit a written application for approval stating the following matters to the Commissioner of the Financial Services Agency:

- (i) the trade name or name;
- (ii) the period for which the approval is sought concerning the submission of the business report;
- (iii) the last day of the business year related to the business report; and

- (iv) the reasons for requiring the approval concerning the submission of the business report.
- (2) The following documents must be attached to the written application for the approval referred to in the preceding paragraph:
  - (i) the articles of incorporation or alternative documents;
  - (ii) a document certifying that the representative of the highest designated parent company stated in the written application for approval has legitimate authority to submit the written application;
  - (iii) if the reasons referred to in item (iv) of the preceding paragraph is due to the laws and regulations or practices of the home country of the highest designated parent company, the legal opinion letter by a law expert on the fact that the matters related to the laws and regulations or practices stated in the written application for approval are true and accurate and a copy of the relevant provisions of the related laws and regulations set forth in the legal opinion letter; and
  - (iv) if the reasons referred to in item (iv) of the preceding paragraph are due to those other than the laws and regulations or practices of the home country of the highest designated parent company, a document certifying those reasons.
- (3) If an application for the approval referred to in paragraph (1) has been filed, and it is found that the highest designated parent company is unable to submit a business report within three months after the end of the business year due to the laws and regulations or practices of its home country, and other unavoidable reasons, the Commissioner of the Financial Services Agency is to grant the approval set forth in Article 57-15, paragraph (1) of the Act as applied pursuant to the provisions of Article 17-2-12, paragraph (2) of the Order following the deemed replacement of terms for the business report related to the business year from the business year that includes the day when the application has been made (if the day is within three months (if the approval has been obtained for the submission of the business report related to the business year immediately before the business year in question, within that approved period) after the business year has commenced, the business year immediately before the business year in question) until the business year immediately before the business year that includes the day when the reasons referred to in item (iv) of that paragraph related to the application ceases to exist or changes.
- (4) The Commissioner of the Financial Services Agency is to grant the approval referred to in Article 57-15, paragraph (1) of the Act as applied pursuant to the provisions of Article 17-2-12, paragraph (2) of the Order following the deemed replacement of terms on the condition that the highest designated parent company referred to in the preceding paragraph submits to the Commissioner of the Financial Services Agency a document stating the following matters (for

the matters set forth in item (ii), limited to cases in which the reasons referred to in paragraph (1), item (iv) is due to the laws and regulations or practices of the home country of the highest designated parent company) within three months after the end of each business year; provided, however, that if the content of the matters set forth in item (ii) is the same as the content of the matters that has been stated in the document submitted within five years before the submission of the document, the entry of the matters may be omitted:

- (i) the fact that the reasons for the application for approval have not ceased to exist or changed during the business year; and
- (ii) a legal opinion letter by a legal expert on the matters set forth in the preceding item and the copy of the relevant provisions of the related laws and regulations set forth in the legal opinion letter.

(Report on Status of Business or Property)

Article 208-25 (1) The highest designated parent company must submit the following documents to the Commissioner of the Financial Services Agency pursuant to the provisions of Article 57-15, paragraph (2) of the Act by the due date of submission specified in each of those items:

- (i) a report on the status, etc. of support related to funding prepared by using the Appended Form No. 17-6; within one month after the end of each quarter of the highest designated parent company (meaning the quarter of the highest designated parent company prescribed in Article 57-17, paragraph (2) of the Act; hereinafter the same applies in this Article, Article 208-28, paragraph (1), paragraph (4), and paragraph (5), and Article 208-29, paragraph (3) and paragraph (4)); and
- (ii) quarterly consolidated financial statements (meaning the quarterly consolidated balance sheet, quarterly consolidated profit and loss statement and quarterly consolidated comprehensive income statement or quarterly consolidated profit and loss and comprehensive income statement, or the quarterly consolidated balance sheet required to be prepared by designated international accounting standards, and those equivalent to quarterly consolidate profit and loss statement and quarterly consolidated comprehensive income statement or quarterly consolidated profit and loss and comprehensive income statement, and statements of changes in equity; excluding those related to the last quarter of the highest designated parent company in the business year; hereinafter the same applies in this Article): within three months after the end of each quarter of the highest parent company (if it is found that the highest designated parent company that is a foreign company is unable to submit quarterly consolidated financial statements due to the laws and regulations or practices of its home country

- and other unavoidable reasons within three months after the end of the quarter of the highest designated parent company, within the period approved by the Commissioner of the Financial Services Agency).
- (2) In preparing quarterly consolidated financial statements, the highest designated parent company is to comply with business accounting practices generally accepted as fair and appropriate or designated international accounting standards.
- (3) When the highest designated parent company that is a foreign company seeks to obtain an approval referred to in paragraph (1), item (ii), it must submit a written application for approval stating the following matters to the Commissioner of the Financial Services Agency:
- (i) the trade name or name;
  - (ii) the period for which the approval is sought concerning submission of the quarterly consolidated financial statements; and
  - (iii) the reasons for seeking the approval concerning the submission of quarterly consolidated financial statements.
- (4) The following documents must be attached to the written application for the approval referred to in the preceding paragraph:
- (i) the articles of incorporation or alternative documents;
  - (ii) the document certifying that the representative of the highest designated parent company indicated in the written application for approval has legitimate authority to submit the written application;
  - (iii) if the reasons referred to in item (iii) of the preceding paragraph is due to the laws and regulations or practices of the home country of the highest designated parent company, a legal opinion letter by a law expert on the fact that the matters related to the laws and regulations or practices stated in the written application for approval are true and accurate, and a copy of the relevant provisions of the related laws and regulations set forth in the legal opinion letter; and
  - (iv) if the reasons referred to in item (iii) of the preceding paragraph are due to those other than the laws and regulations or practices of the home country of the highest designated parent company, a document certifying those reasons.
- (5) If an application for the approval referred to in paragraph (3) has been filed, and it is found that the highest designated parent company is unable to submit quarterly consolidated financial statements due to the laws and regulations or practices of its home country and other unavoidable reasons within three months after the end of the quarter of the highest designated parent company, the Commissioner of the Financial Services Agency is to grant the approval referred to in paragraph (1), item (ii) for quarterly consolidated financial statements related to the quarter of the highest designated parent company from the quarter of the highest designated parent company that includes the

day when the application has been made (if the day is within three months (if the approval has been obtained for the submission of the quarterly consolidated financial statements related to the immediately prior quarter of the highest designated parent company, within that approved period) after the quarter of the highest designated parent company has commenced, the immediately prior quarter of the highest designated parent company) until the quarter of the highest designated parent company immediately before the quarter of the highest designated parent company that includes the day when the reasons set forth in item (iii) of that paragraph related to the application ceases to exist or changes.

- (6) The Commissioner of the Financial Services Agency is to grant the approval referred to in paragraph (1), item (ii) on the condition that the highest designated parent company referred to in the preceding paragraph submits a document stating the following matters (for the matters set forth in item (ii), limited to cases in which the reasons set forth in paragraph (3), item (iii) are due to the laws and regulations or practices of the home country of the highest designated parent company) to the Commissioner of the Financial Services Agency within three months after the end of each quarter of the highest designated parent company; provided, however, that if the content of the matters set forth in item (ii) is the same as the content of the matters that have been stated in the document submitted within five years before the submission of the document, the entry of those matters may be omitted:
- (i) the fact that the reasons for application related to the approval has not ceased to exist or changed during the quarter of the highest designated parent company; and
  - (ii) a legal opinion letter by a legal expert on the matters set forth in the preceding item, and a copy of the relevant provisions of the related laws and regulations set forth in the legal opinion letter.

(Matters to Be Stated in the Explanatory Documents)

Article 208-26 The matters specified by Cabinet Office Order as prescribed in Article 57-16 of the Act are as follows:

- (i) the following matters related to the outline and organization of the highest designated parent company:
  - (a) the trade name or name;
  - (b) the day when the highest designated parent company has obtained the designation under the provisions of Article 57-12, paragraph (1) of the Act;
  - (c) history and management of the organization (including the system of business management of subsidiary corporations, etc. of the highest designated parent company (excluding a subsidiary corporation, etc. that does not have a material influence on the content of explanatory

- documents referred to in Article 57-16 of the Act; hereinafter the same applies in this Article));
- (d) the name of the top ten shareholders or investors in descending order of the number of voting rights held related to the shares, etc. (meaning shares or equity; the same applies in sub-item (d)), the number of voting rights held related the shares, etc., and the ratio of the number of voting rights related to the shares, etc. to the voting rights held by all shareholders, etc.;
  - (e) the matters set forth in Article 57-13, paragraph (1), items (ii) through (iv) of the Act and the matters set forth in Article 208-19, item (i); and
  - (f) the trade name of the subject special financial instruments business operator, the registration date and registration number, and the notification date;
  - (ii) the following matters related to the outlines of the highest designated parent company and its subsidiary corporations, etc.:
    - (a) the content of the main business and the structure of organization of the highest designated parent company and its subsidiary corporations, etc.; and
    - (b) the following matters related to the highest designated parent company and its subsidiary corporations, etc.:
      1. the trade name or name;
      2. the location of the head office or principal office;
      3. the amount of stated capital, the total amount of the funds, or the total amount of contribution;
      4. the content of business;
      5. the percentage of the number of voting rights of a subsidiary corporation, etc. held by the highest designated parent company to the number of voting rights held by all shareholders, etc. of the subsidiary corporation, etc.; and
      6. the percentage of the number of voting rights of a single subsidiary corporation, etc. of the highest designated parent company held by the highest designated parent company and its subsidiary corporations, etc. other than that single subsidiary corporation, etc. to the number of voting rights held by all shareholders, etc. of that single subsidiary corporation, etc.;
  - (iii) the following matters concerning the business status of the highest designated parent company and its subsidiary corporations, etc.:
    - (a) an outline of the business for the latest business year; and
    - (b) the following matters as index of the business status for the latest three consecutive fiscal years:
      1. the operating profit (including the amount of sales and those equivalent

- to that; the same applies in sub-item (c) of the following item);
- 2. the ordinary profit or ordinary losses;
- 3. the net profit for the current year or the net loss for the current year attributable to shareholders of the parent company;
- 4. the comprehensive income;
- 5. the amount of net assets
- 6. the amount of total assets; and
- 7. the consolidated capital adequacy ratio on the last day of each consolidated fiscal year (meaning the ratio obtained by the calculation formula related to the criterion on whether the adequacy of equity capital prescribed in Article 57-17, paragraph (1) of the Act is appropriate; the same applies in sub-item (f) of the following item);
- (iv) the following matters as the matters related to the status of property of the highest designated parent company and its subsidiary corporations, etc. in the latest two consolidated fiscal years:
  - (a) consolidated balance sheet (including the related notes), consolidated profit and loss statement (including the related notes), and consolidated comprehensive income statement (including the related notes) or consolidated profit and loss and comprehensive income statement (including the related notes), and consolidated statements of changes in net assets (including the related notes), or those equivalent to those documents which are required to be prepared by designated international accounting standards;
  - (b) the following matters on the last day of each consolidated business year:
    - 1. the major lenders of money and the borrowed amount;
    - 2. the acquisition value, the market value, and the profit or loss or from valuation, of the securities held (excluding the securities managed as belonging to trading products for accounting (meaning trading products of the items of the consolidated balance sheet or those equivalent to them; the same applies in 3.)); and
    - 3. the contract value, the market value, and the profit or loss from valuation, of the derivative transactions (excluding the transactions managed as belonging to trading products for accounting);
  - (c) if the highest designated parent company and its subsidiary corporation, etc. (meaning the subsidiary corporation, etc. prescribed in Article 15-16-2, paragraph (2) of the Order, and excluding those that do not have a significant impact on the content of the explanatory documents referred to in Article 57-16 of the Act) conduct two or more different types of businesses, the amount calculated as the amount of operating profit, net operating profit, ordinary profit or ordinary loss, and the amount of assets (referred to as "operating profit, etc." in sub-item (c)) (excluding the cases in



which the ratio of the amount of each operating profit, etc. to the total amount of operating profit, etc. is small) in accordance with the category of each type of business;

- (d) if the document set forth in sub-item (a) has been audited by a financial auditor based on the provisions of Article 444, paragraph (4) of the Companies Act, that fact;
  - (e) if audit certification by a certified public accountant or an auditing corporation has been received for the documents set forth in sub-item (a) based on the provisions of Article 193-2 of the Act, that fact; and
  - (f) soundness of management (meaning the soundness of management prescribed in Article 57-17, paragraph (2) of the Act, and excluding that related to the consolidated capital adequacy ratio).
- (v) the matters related to remuneration, etc. (meaning remuneration, bonus, or other economic benefits to be received from the highest designated parent company or its subsidiary corporation, etc. as consideration for performance of duty, or wage prescribed in Article 11 of the Labor Standards Act (Act No. 49 of 1947)) specified by the Commissioner of the Financial Services Agency as those that have a significant impact on the business management or status of property of the highest designated parent company and its subsidiary corporation, etc.

#### (Public Inspection of Explanatory Documents)

Article 208-26-2 When a highest designated parent company publicizes explanatory documents by using the internet or other means pursuant to the provisions of Article 57-16 of the Act, it must do so in a manner that enables easy access by investors at all times.

#### (Procedures for Obtaining Approval on Due Date for Public Inspection of Explanatory Documents)

Article 208-27 (1) When the highest designated parent company that is a foreign company seeks to obtain the approval referred to in the proviso to Article 17-2-10, paragraph (2) of the Order, it must submit a written application for approval stating the following matters to the Commissioner of the Financial Services Agency:

- (i) the trade name or name;
  - (ii) the period for which the approval is sought for the public inspection of the explanatory documents;
  - (iii) the last day of the business year related to the explanatory documents; and
  - (iv) the reasons for requiring the approval for the public inspection of the explanatory documents.
- (2) The following documents must be attached to the written application for

approval referred to in the preceding paragraph:

- (i) the articles of incorporation or alternative documents;
  - (ii) a document certifying that the representative of the highest designated parent company stated in the written application for approval has legitimate authority to submit the written application;
  - (iii) if the reasons referred to in item (iv) of the preceding paragraph is due to laws and regulations or practices of the home country of the highest designated parent company, a legal opinion letter by a law expert on the fact that the matters related to the laws and regulations or practices stated in the written application for approval are true and accurate, and a copy of the relevant provisions of the related laws and regulations set forth in the legal opinion letter; and
  - (iv) if the reasons referred to in item (iv) of the preceding paragraph is due to reasons other than the laws and regulations or practices of the home country of the highest designated parent company, a document certifying the reasons.
- (3) If the application for the approval referred to in paragraph (1) has been filed, and it is found that the highest designated parent company is unable to keep explanatory documents and make them available for public inspection due to the laws and regulations or practices of its home country and other unavoidable reasons from the day when four months have passed after the end of the business year, the Commissioner of the Financial Services Agency is to grant the approval referred to in the proviso to Article 17-2-10, paragraph (2) of the Order for the explanatory documents related to the business year from the business year that includes the day when the application has been filed (if the day is within four months (if the approval has been obtained for the public inspection of the explanatory documents related to the business year immediately before the business year in question, within that approved period) after the business year has commenced, the business year immediately before the business year in question) until the business year immediately before the business year that includes the day when the reasons set forth in item (iv) of that paragraph related to the application ceases to exist or changes.
- (4) The Commissioner of the Financial Services Agency is to grant the approval referred to in the proviso to Article 17-2-10, paragraph (2) of the Order on the condition that the highest designated parent company referred to in the preceding paragraph submits documents stating the following matters (for the matters set forth in item (ii), limited to cases in which the reasons set forth in paragraph (1), item (iv) is due to the laws and regulations or practices of the home country of the highest designated parent company) to the Commissioner of the Financial Services Agency within four months after the end of each business year; provided, however, that if the content of the matters set forth in item (ii) is the same as the content of the matters that have been stated in the

document submitted within five years before the submission of the document, the entry of those matters may be omitted:

- (i) the fact that the reasons for the application for approval have not ceased to exist or changed during the business year; and
- (ii) a legal opinion letter by a legal expert on the matters set forth in the preceding item, and a copy of the relevant provisions of the related laws and regulations set forth in the legal opinion letter.

(Submission of Documents Stating the Soundness of Management)

Article 208-28 (1) The notification under the provisions of Article 57-17, paragraph (2) of the Act must be given by submitting a document stated in accordance with the provisions of Article 180, paragraphs (2) and (3) (if specified by the Commissioner of the Financial Services Agency, a document stated in the manner specified by the Commissioner of the Financial Services Agency; the same applies in this Subsection) to the Commissioner of the Financial Services Agency within 110 days after the end of each quarter of the highest designated parent company (if it is found that the highest designated parent company that is a foreign company is unable to submit the documents stating the soundness of management (meaning the soundness of management prescribed in that paragraph; hereinafter the same applies in this Subsection) due to the laws and regulations or practices of its home country and other unavoidable reasons within 110 days after the quarter of the highest designated parent company, within the period approved by the Commissioner of the Financial Services Agency; the same applies in Article 208-30).

(2) When the highest designated parent company that is a foreign company seeks to obtain the approval referred to in the preceding paragraph, it must submit a written application for approval stating the following matters to the Commissioner of the Financial Services Agency:

- (i) the trade name or name;
- (ii) the period for which the approval is sought for the submission of the documents stating the soundness of management;
- (iii) the reasons for requiring the approval for the submission of the documents stating the soundness of management.

(3) The following documents must be attached to the written application for the approval referred to in the preceding paragraph:

- (i) the articles of incorporation or alternative documents;
- (ii) a document certifying that the representative of the highest designated parent company stated in the written application for approval has legitimate authority to submit the written application;
- (iii) if the reasons referred to in item (iii) of the preceding paragraph is due to the laws and regulations or practices of the home country of the highest

- designated parent company, a legal opinion letter by a law expert on the fact that the matters related to the laws and regulations or practices stated in the written application for approval are true and accurate, and a copy of the relevant provisions of the related laws and regulations set forth in the legal opinion letter; and
- (iv) if the reasons referred to in item (iii) of the preceding paragraph are due to reasons other than the laws and regulations or practices of the home country of the highest designated parent company, a document certifying the reasons.
- (4) If the application for the approval referred to in paragraph (2) has been filed, and it is found that the highest designated parent company is unable to submit the document stating the soundness of management due to the laws and regulations or practices of its home country and other unavoidable reasons within 110 days after the end of the quarter of the highest designated parent company, the Commissioner of the Financial Services Agency is to grant the approval referred to in paragraph (1) for the document related to the quarter of the highest designated parent company from the quarter of the highest designated parent company immediately before the quarter of the highest designated parent company that includes the first day of the period for which the approval is sought until the quarter of the highest designated parent company immediately before the quarter of the highest designated parent company that includes the day when the reasons referred to in item (iii) of that paragraph related to the application ceases to exist or changes.
- (5) The Commissioner of the Financial Services Agency is to grant the approval referred to in paragraph (1) on the condition that the highest designated parent company referred to in the preceding paragraph submits to the Commissioner a document stating the following matters (for the matters set forth in item (ii), limited to cases in which the reasons referred to in paragraph (2), item (iii) is due to the laws and regulations or practices of the home country of the highest designated parent company) within 110 days after the end of each quarter of the highest designated parent company; provided, however, that if the content of the matters set forth in item (ii) is the same as the content of the matters that have been stated in the document submitted within five years before the submission of the document, the entry of those matters may be omitted:
- (i) the fact that the reasons for the application for the approval has not ceased to exist or changed during the quarter of the highest designated parent company; and
- (ii) a legal opinion letter by a legal expert on the matters set forth in the preceding item, and a copy of the relevant provisions of the related laws and regulations set forth in the legal opinion letter.

(Procedures for Obtaining Approval on Due Date for Public Inspection of Documents Stating the Soundness of Management)

Article 208-29 (1) When the highest designated parent company that is a foreign company seeks to obtain the approval referred to in the proviso to Article 17-2-11, paragraph (3) of the Order, it must submit a written application for approval stating the following matters to the Commissioner of the Financial Services Agency:

- (i) the trade name or name;
- (ii) the period for which the approval is sought for the public inspection of the documents stating the soundness of management;
- (iii) the reasons for requiring the approval for the public inspection of the documents stating the soundness of management.

(2) The following documents must be attached to the written application for the approval referred to in the preceding paragraph:

- (i) the articles of incorporation or alternative documents;
- (ii) the document certifying that the representative of the highest designated parent company stated in the written application for approval has legitimate authority to submit the written application;
- (iii) if the reasons referred to in item (iii) of the preceding paragraph are due to the laws and regulations or practices of the home country of the highest designated parent company, a legal opinion letter by a law expert on the fact that the matters related to the laws and regulations or practices stated in the written application for approval are true and accurate, and a copy of the relevant provisions of the related laws and regulations set forth in the legal opinion letter; and
- (iv) if the reasons set forth in item (iii) of the preceding paragraph is due to reasons other than the laws and regulations or practices of the home country of the highest designated parent company, a document certifying the reasons.

(3) If the application for the approval referred to in paragraph (1) has been filed, and it is found that the highest designated parent company is unable to keep the documents stating the soundness of management and make them available for public inspection due to the laws and regulations or practices of its home country and other unavoidable reasons from the day when two months have passed after the last day of the quarter of the highest designated parent company, the Commissioner of the Financial Services Agency is to grant the approval referred to in the proviso to Article 17-2-11, paragraph (3) of the Order for the documents related to the quarter of the highest designated parent company from the quarter of the highest designated parent company that includes the day when the application has been filed (if the day is within two months (if the approval has been obtained for public inspection of the documents related to the quarter of the highest designated parent company

immediately before the quarter in question, within that approved period) after the quarter of the highest designated parent company has commenced, the quarter of the highest designated parent company immediately before the quarter in question) until the quarter of the highest designated parent company immediately before the quarter of the highest designated parent company that includes the day when the reasons referred to in item (iii) of that paragraph related to the application ceases to exist or changes.

(4) The Commissioner of the Financial Services Agency is to grant the approval referred to in the proviso to Article 17-2-11, paragraph (3) of the Order on the condition that the highest designated parent company referred to in the preceding paragraph submits documents stating the following matters (for the matters set forth in item (ii), limited to cases in which the reasons referred to in paragraph (1), item (iii) is due to the laws and regulations or practices of the home country of the highest designated parent company) to the Commissioner within two months after the last day of the quarter of the highest designated parent company; provided, however, that if the content of the matters set forth in item (ii) is the same as the content of the matters that has been stated in the document submitted within five years before the submission of the document, the entry of those matters may be omitted:

- (i) the fact that the reasons for the application for the approval has not ceased to exist or changed during the quarter of the highest designated parent company; and
- (ii) a legal opinion letter by a legal expert on the matters set forth in the preceding item, and a copy of the relevant provisions of the related laws and regulations set forth in the legal opinion letter.

(Public Inspection of Documents Stating the Soundness of Management)

Article 208-30 The documents to be kept and made available for public inspection pursuant to the provisions of Article 57-17, paragraph (3) of the Act must be provided by the document stated in accordance with the provisions of Article 180, paragraphs (2) and (3).

(Notification of Mergers)

Article 208-31 (1) For giving the notification under the provisions of Article 57-18, paragraph (1) of the Act, a written notification stating the matters specified in the following items in accordance with the category set forth in each of those items must be submitted to the Commissioner of the Financial Services Agency:

- (i) if the case falls under Article 57-18, paragraph (1), item (i) of the Act: the following matters:
  - (a) the trade name or name of the counterparty to the merger;

- (b) the date of the merger and the reasons for the merger; and
- (c) the method of the merger.
- (ii) if the case falls under Article 57-18, paragraph (1), item (ii) of the Act: the date when the petition for commencement of bankruptcy proceedings, commencement of rehabilitation proceedings, or commencement of reorganization proceedings has been filed and their reasons;
- (iii) if the case falls under item (i) of the following Article: the matters specified in the following sub-item (a) and (b) in accordance with the category of cases set forth in the sub-items (a) and (b):
  - (a) if the case comes to fall under Article 29-4, paragraph (1), item (i), sub-item (a) of the Act (limited to the part related to the provisions of foreign laws and regulations equivalent to the Act or the Act on the Provision of Financial Services): the following matters:
    1. the content of the same type of registration, etc. obtained in a foreign country pursuant to the provisions of foreign laws and regulations equivalent to the Act or the Act on the Provision of Financial Services, or of the same type of notification as the notification under the provisions of Article 63, paragraph (2), Article 63-3, paragraph (1), Article 63-9, paragraph (1), or Article 63-11, paragraph (1) of the Act given by the financial instruments business operator, etc. in the foreign country pursuant to the laws and regulations of that foreign country equivalent to the Act or the Act on the Provision of Financial Services;
    2. the date of the registration etc. or notification;
    3. the date when the registration, etc. has been cancelled or discontinuation of business related to the notification has been ordered, and its reason; and
    4. the content of the business for which the registration, etc. has been cancelled or discontinuation of business related to the notification has been ordered;
  - (b) if the case comes to fall under Article 29-4, paragraph (1), item (i), sub-item (c) of the Act: the following matters:
    1. the provisions of the laws and regulations that has been violated; and
    2. the day when the punishment became final and binding, and the amount of the fine;
- (iv) if the case falls under item (ii) of the following Article: the following matters:
  - (a) the name of the officer that comes to fall under Article 199, item (ii), sub-item (a) or (b);
  - (b) if the officer comes to fall under Article 199, item (ii), sub-item (a), the date when the officer came to fall under the provisions and the reasons;

- (c) if the officer has come to fall under Article 29-4, paragraph (1), item (ii), sub-item (b) of the Act, the date when they became subject to an order for commencement of bankruptcy proceedings;
- (d) if the officer has come to fall under Article 29-4, paragraph (1), item (ii), sub-item (c) or (i) of the Act, the date when the punishment became final and binding, and the type of the punishment;
- (e) if the officer has come to fall under Article 29-4, paragraph (1), item (ii), sub-item (d) or (e) of the Act, the date revocation has been made or order has been given, and the reasons for that; and
- (f) if the officer has come to fall under Article 29-4, paragraph (1), item (ii), sub-item (f) or (g) of the Act, the date of and the reasons for the notice under the provisions of Article 15 of the Administrative Procedure Act to be given, and the date of and the reasons for making the notification under the provisions of Article 50-2, paragraph (1), Article 60-7 (including as applied mutandis pursuant to Article 60-14, paragraph (2) of the Act; hereinafter the same applies in this Article), Article 63-2, paragraph (2), paragraph (3) (including as applied mutatis mutandis pursuant to Article 63-3, paragraph (2) of the Act; hereinafter the same applies in this Article) or paragraph (4), Article 63-10, paragraph (2), paragraph (3) (including as applied mutandis pursuant to Article 63-11, paragraph (2) of the Act; the same applies hereinafter in this Article) or paragraph (4), Article 66-19, paragraph (1), Article 66-40, paragraph (1), or Article 66-61, paragraph (1) of the Act or Article 16, paragraph (3) of the Act on the Provision of Financial Services;
- (g) if the officer has come to fall under Article 29-4, paragraph (1), item (ii), sub-item (h) of the Act, the date when removal or dismissal has been ordered and the reasons for that;
- (v) if the case falls under item (iii) of the following Article: the following matters:
  - (a) the trade name or name of the parent company or subsidiary corporation, etc. that has come to fall under the provisions or has come to no longer fall under those provisions; and
  - (b) the date when it has come to fall under the parent company or subsidiary corporation, etc. or has come to no longer fall under the parent company or subsidiary corporation, etc.;
- (vi) if the case falls under item (iv) of the following Article: the following matters:
  - (a) the date when the petition for commencement of bankruptcy proceedings, commencement of rehabilitation proceedings, or commencement of reorganization proceedings has been filed and its reasons; and
  - (b) the trade name or name of the person that has filed the petition for



- commencement of bankruptcy proceedings, commencement of rehabilitation proceedings, or commencement of reorganization proceedings;
- (vii) if the case falls under item (v) of the following Article: the following matters:
  - (a) the content of and reason for the change; and
  - (b) the date of the change;
- (viii) if the case falls under item (vi) of the following Article: the following matters:
  - (a) the name of the business office or office in which an act violating laws and regulations, etc. (including foreign laws and regulations) has occurred (limited to acts that are likely to have a material impact on the business management of the designated parent company or the status of property of the designated parent company and its subsidiary corporation, etc.; hereinafter referred to as "problematic conduct, etc." in this paragraph and the following Article);
  - (b) the affiliation, name, and title of the officer or employee that caused the problematic conduct, etc.; and
  - (c) an outline of the problematic conduct, etc.;
- (ix) if the case falls under item (vii) of the following Article: the following matters:
  - (a) the name of the business office or office in which the problematic conduct, etc. has occurred;
  - (b) the affiliation, name, and title of the officer or employee that has caused the problematic conduct, etc.;
  - (c) the details of the problematic conduct, etc.; and
  - (d) if in-house punishment has been taken, its content;
- (x) if the case falls under item (viii) of the following Article: the matters specified in the following sub-items (a) and (b) in accordance with the category of cases set forth in the sub-items (a) and (b):
  - (a) if they have become party to a suit or conciliation: the following matters:
    1. the name and domicile or location of the party to a suit or conciliation;
    2. the date when an action or petition for conciliation has been filed;
    3. the name of the court with jurisdiction; and
    4. the content of the case;
  - (b) if an action or conciliation has been concluded, the following matters:
    1. the name and domicile or location of the party to an action or a conciliation;
    2. the date when the action or conciliation was concluded; and
    3. the content of the judgment or settlement;
- (xi) if the case falls under item (ix) of the following Article: the matters

specified in the following sub-items (a) and (b) in accordance with the category of cases set forth in the sub-items (a) and (b):

(a) if they become aware of the fact that any of the major shareholders has come to fall under Article 199, item (xi), sub-item (c), 1. or 2.: the following matters:

1. the name of the major shareholder that has come to fall under the provisions;
2. if the major shareholder has come to fall under Article 199, item (xi), sub-item (c), 1., the date when they have come to fall under the provisions and the reasons for that;
3. if the major shareholder or an agent has come to fall under Article 29-4, paragraph (1), item (ii), sub-item (b) of the Act, the date when the major shareholder or the agent has become subject to the order for commencement of bankruptcy proceedings;
4. if the major shareholder or an agent has come to fall under Article 29-4, paragraph (1), item (ii), sub-item (c) or (i) of the Act, the date when the punishment became final and binding, and the type of the punishment;
5. if the major shareholder or an agent has come to fall under Article 29-4, paragraph (1), item (ii), sub-item (d) or (e) of the Act, the date the revocation has been made or the order has been given and the reasons for that;
6. if the major shareholder or an agent has come to fall under Article 29-4, paragraph (1), item (ii), sub-item (f) or (g) of the Act, the date of and reason for the notice under the provisions of Article 15 of the Administrative Procedure Act to be given and the date of and reason for making the notification under the provisions of Article 50-2, paragraph (1), Article 60-7, Article 63-2, paragraphs (2) through (4), Article 63-10, paragraphs (2) through (4), Article 66-19, paragraph (1), Article 66-40, paragraph (1) or Article 66-61, paragraph (1) of the Act, or Article 16, paragraph (3) of the Act on the Provision of Financial Services;
7. if the major shareholder or an agent has come to fall under Article 29-4, paragraph (1), item (ii), sub-item (h) of the Act, the date when removal or dismissal has been ordered and the reasons for that;

(b) if the financial instruments business operator becomes aware of the fact that any of the major shareholders has come to fall under Article 199, item (xi), sub-item (c), 3. or 4.: the following matters:

1. the trade name or name of the major shareholder that has come to fall under the provisions;
2. if the major shareholder falls under Article 29-4, paragraph (1), item (i), sub-item (a) of the Act, the content of the registration, etc. granted to

them and the date of registration, etc. and the date the registration, etc. has been revoked and the reasons for that, and the content of the business for which the registration, etc. has been revoked, or the content of the notification under the provisions of Article 63, paragraph (2), Article 63-3, paragraph (1), Article 63-9, paragraph (1) or Article 63-11, paragraph (1) of the Act given by the major shareholder and the date of the notification, and the date the discontinuation of business related to the notification was ordered, the reasons for that, and the content of the business related to the notification;

3. if the major shareholder falls under Article 29-4, paragraph (1), item (i), sub-item (b) of the Act, the date of and reason for the notice under the provisions of Article 15 of the Administrative Procedure Act to be given and the date of and reason for making the notification under the provisions of Article 50-2, paragraph (1), Article 60-7, Article 63-2, paragraph (2) or (3), Article 63-10, paragraph (2) or (3), Article 66-19, paragraph (1), Article 66-40, paragraph (1) or Article 66-61, paragraph (1) of the Act, or Article 16, paragraph (3) of the Act on the Provision of Financial Services;
4. if the major shareholder falls under Article 29-4, paragraph (1), item (i), sub-item (c) of the Act, the provisions of the laws and regulations that has been violated, the date when the punishment became final and binding, and the amount of the fine;
5. if the major shareholder has come to fall under Article 199, item (xi), sub-item (c), 4., the name of the officer representing the corporation that has come to fall under either of sub-item (c), 4, i. or ii. of that paragraph;
6. if the officer representing the corporation that is the major shareholder has come to fall under Article 199, item (xi), sub-item (c), 4., i., the date when the officer came to fall under the provisions and the reasons for that;
7. if the officer representing the corporation that is the major shareholder has come to fall under Article 29-4, paragraph (1), item (ii), (b) of the Act, the date when the officer became subject to an order for commencement of bankruptcy proceedings;
8. if the officer representing the corporation that is the major shareholder has come to fall under Article 29-4, paragraph (1), item (ii), sub-item (c) or (i) of the Act, the date when the punishment became final and binding, and the type of the punishment;
9. if the officer representing the corporation that is the major shareholder has come to fall under Article 29-4, paragraph (1), item (ii), sub-item

- (d) or (e) of the Act, the date of the revocation has been made or has been ordered and the reasons for that;
- 10. if the officer representing the corporation that is the major shareholder has come to fall under Article 29-4, paragraph (1), item (ii), sub-item (f) or (g) of the Act, the date of and reason for the notice under the provisions of Article 15 of the Administrative Procedure Act to be given and the date of and reason for making the notification under the provisions of Article 50-2, paragraph (1), Article 60-7, Article 63-2, paragraphs (2) through (4), Article 63-10, paragraphs (2) through (4), Article 66-19, paragraph (1), Article 66-40, paragraph (1) or Article 66-61, paragraph (1) of the Act or Article 16, paragraph (3) of the Act on the Provision of Financial Services; and
- 11. if the officer representing the corporation that is the major shareholder has come to fall under Article 29-4, paragraph (1), item (ii), sub-item (h) of the Act, the date when the removal or dismissal has been ordered, and the reasons for that;
- (xii) if the case falls under item (x) of the following Article: the date when they ceased to be a stock company prescribed in Article 57-20, paragraph (1), item (iv) of the Act and the reasons for that;
- (xiii) if the case falls under item (xi) of the following Article: the following matters:
  - (a) the content of the adverse disposition; and
  - (b) the date when the financial instruments business operator, etc. has become subject to the adverse disposition and reasons for that;
- (xiv) if the case falls under item (xii), sub-item (a) of the following Article: the following matters:
  - (a) the trade name or name of the subsidiary corporation, etc., in which problematic conduct, etc. has occurred, and the name of its business office or office;
  - (b) the affiliation, name, and title of the officer or employee that has caused the problematic conduct, etc.; and
  - (c) an outline of the problematic conduct, etc.;
- (xv) if the case falls under item (xii), sub-item (b) of the following Article: the following matters:
  - (a) the trade name or name of the subsidiary corporation, etc., in which a problematic conduct, etc. has occurred, and the name of its business office or office;
  - (b) the affiliation, name, and title of the officer or employee that has caused the problematic conduct, etc.;
  - (c) the details of the problematic conduct, etc.; and
  - (d) if in-house punishment has been taken, its content;

(xvi) if the case falls under item (xii), sub-item (c) of the following Article: the matters specified in the following sub-items (a) and (b) in accordance with the category of cases set forth in the sub-items (a) and (b):

(a) if they have come to know that the subsidiary corporation, etc. has become a party to a suit or conciliation: the following matters:

1. the name and domicile or the location of the party to a suit or conciliation;
2. the day when the action or petition for conciliation was filed;
3. the name of the court with jurisdiction; and
4. the content of the case;

(b) if they have come to know that the action or conciliation for which the subsidiary corporation, etc. is a party has been concluded: the following matters:

1. the name and domicile or location of the parties to the action or conciliation;
2. the day when the action or conciliation was concluded; and
3. the content of the judgment or settlement;

(xvii) if the case falls under item (xii), sub-item (d) of the following Article: the matters specified in the following sub-items (a) and (b) in accordance with the category of cases set forth in the sub-items (a) and (b):

(a) if they have made any subordinated borrowings or have come to know that the subsidiary corporation, etc. has made subordinated borrowings: the following matters:

1. the name of the lender, and the reasons for borrowing the money;
2. the borrowed amount (if it is denominated in foreign currency, the borrowed amount and the equivalent amount in yen), and the current outstanding balance and the outstanding balance subsequent to the borrowing; and
3. the borrowing date, the interest rate, and the due date for payment.

(b) if the financial instruments business operator has issued subordinated bonds or if they have become aware that the subsidiary corporation, etc. has issued specified subordinated bonds: the following matters:

1. the means and reasons for the issuance;
2. the total issuance amount (if it is denominated in foreign currency, the total issuance amount and the equivalent amount in yen), and the current outstanding balance and the outstanding balance after the issuance; and
3. the issuance date, the interest rates, and the due date for redemption;

(xviii) if the case falls under item (xii), sub-item (e) of the following Article: the following matters:

(a) the amount of the payment or redemption and the date of payment or

- redemption; and
  - (b) the balance after the payment or redemption.
- (2) If the notification referred to in the preceding paragraph falls under the category of cases set forth in the following items, the document specified in each of those items must be attached to the notification:
- (i) if the case falls under Article 57-18, paragraph (1), item (i) of the Act: the following documents:
    - (a) a document stating the content of the merger agreement and the procedures for merger;
    - (b) the latest balance sheet of the parties (including the related notes); and
    - (c) for the highest designated parent company, a document stating the soundness of management after the merger;
  - (ii) if the case falls under Article 57-18, paragraph (1), item (ii) of the Act: the following documents:
    - (a) a copy of the document related to filing of a petition for commencement of bankruptcy proceedings, commencement of rehabilitation proceedings, or commencement of reorganization proceedings; and
    - (b) a recent daily cash count sheet
  - (iii) if the case falls under item (i) of the following Article: the documents specified in the following sub-items (a) and (b) in accordance with the category of cases set forth in the sub-items (a) and (b):
    - (a) if the case has come to fall under Article 29-4, paragraph (1), item (i), sub-item (a) of the Act (limited to the part related to the provisions of foreign laws and regulations equivalent to the Act or the Act on the Provision of Financial Services): the following documents:
      - 1. a copy of the document ordering revocation or discontinuation of business, or alternative documents; and
      - 2. a copy of the laws and regulations of that foreign country;
    - (b) if the case has come to fall under Article 29-4, paragraph (1), item (i), sub-item (c) of the Act: a copy of the judgment document on the final and binding judgment, or a document stating the content of the final and binding judgment;
  - (iv) if the case falls under item (ii) of the following Article (limited to the part related to Article 199, item (ii), sub-item (b)): the following documents:
    - (a) if an officer has come to fall under Article 29-4, paragraph (1), item (ii), sub-item (b) of the Act, a copy of the written judgment on the order for commencement of bankruptcy proceedings, or a document stating the content of the order for commencement of bankruptcy proceedings;
    - (b) if an officer has come to fall under Article 29-4, paragraph (1), item (ii), sub-item (c) or (i) of the Act, a copy of the judgment document on the final and binding judgment, or a document stating the content of the final and

- binding judgment; and
- (c) if an officer has come to fall under Article 29-4, paragraph (1), item (ii), sub-item (d) or (e) of the Act (limited to cases in which revocation was made or order was given in a foreign country), a copy of foreign laws and regulations that serves as the basis of the revocation or discontinuation of business;
- (v) if the case falls under item (iii) of the following Article: the following documents:
  - (a) a document stating the outline of the business of the parent company or subsidiary corporation, etc. which has come to fall under the provisions, or has come to no longer fall under the provisions; and
  - (b) a document indicating the relationship between the designated parent company and the parent company or subsidiary corporation, etc.;
- (vi) if the case falls under item (iv) of the following Article: a recent daily cash count sheet;
- (vii) if the case falls under item (v) of the following Article: the amended articles of incorporation;
- (viii) if the case falls under item (ix) of the following Article: the documents specified in the following sub-items (a) and (b) in accordance with the category of cases set forth in the sub-items (a) and (b):
  - (a) if they become aware of the fact that a major shareholder has come to fall under Article 199, item (xi), sub-item (c), 1. or 2.: the following documents:
    1. if the major shareholder or an agent has come to fall under Article 29-4, paragraph (1), item (ii), sub-item (b) of the Act, a copy of the written judgment on an order for commencement of bankruptcy proceedings, or the document stating the content of the order for commencement of bankruptcy proceedings;
    2. if the major shareholder or an agent has come to fall under Article 29-4, paragraph (1), item (ii), sub-item (c) or (i) of the Act, a copy of the judgment document on the final and binding judgment, or a document stating the content of the final and binding judgment;
    3. if the major shareholder or an agent has been punished in a foreign country, a copy of foreign laws and regulations that has served as the basis of the punishment;
    4. if the major shareholder, or a statutory agent of an adult ward or a person under curatorship or a person treated in the same manner as those persons in a foreign country has had the registration, etc. revoked or has been ordered to discontinue business in a foreign country, a copy of foreign laws and regulations that serves as the basis of the revocation of registration, etc. or discontinuation of business;
  - (b) if they become aware of the fact that any of the major shareholders has

come to fall under Article 199, item (xi), sub-item (c), 3. or 4., ii.: the following documents:

1. if the major shareholder has come to fall under Article 29-4, paragraph (1), item (i), sub-item (a) of the Act, a copy of the document ordering revocation or discontinuation of business, or alternative documents;
  2. if the major shareholder falls under Article 29-4, paragraph (1), item (i), sub-item (a) of the Act or an officer representing the corporation that is a major shareholder falls under item (ii), sub-item (d) or (e) of that paragraph (limited to the cases in which the registration, etc. was revoked or the discontinuation of business was ordered in a foreign country), a copy of foreign laws and regulations that has served as the basis of the revocation or discontinuation of business;
  3. if the major shareholder has come to fall under Article 29-4, paragraph (1), item (i), sub-item (c) of the Act, a copy of the judgment document on the final and binding judgment, or a document stating the content of the final and binding judgment;
  4. if an officer representing a corporation that is the major shareholder has come to fall under Article 29-4, paragraph (1), item (ii), sub-item (b) of the Act, a copy of the written judgment on the order for commencement of bankruptcy proceedings, or the document stating the content of the order for commencement of bankruptcy proceedings; and
  5. if an officer representing a corporation that is the major shareholder has come to fall under Article 29-4, paragraph (1), item (ii), sub-item (c) or (i) of the Act, a copy of the judgment document on the final and binding judgment, or a document stating the content of the final and binding judgment;
- (ix) if the case falls under item (xi) of the following Article: a copy of foreign laws and regulations that provide for the adverse disposition;
- (x) if the case falls under item (xii), sub-item (d) of the following Article: the following documents:
- (a) if they have made a subordinated borrowing or have become aware that the subsidiary corporation, etc. has made a subordinated borrowing, a copy of the written contract;
  - (b) if they have issued subordinated corporate bonds or have become aware that the subsidiary corporation, etc. has issued subordinated bonds, a copy of the prospectus or other equivalent documents.

(Cases of Submitting Notifications of Mergers)

Article 208-32 The cases specified by Cabinet Office Order as prescribed in Article 57-18, paragraph (1), item (iii) of the Act are as follows:

- (i) if the case comes to fall under Article 29-4, paragraph (1), item (i), sub-item



- (c) (limited to the part related to the provisions of foreign laws and regulations equivalent to the Act or the Act on the Provision of Financial Services) or (b) of the Act;
- (ii) if they become aware of the fact that an officer has come to fall under Article 199, item (ii), sub-item (a) or (b);
- (iii) if another corporation or other organizations have come to fall under a parent company or the subsidiary corporation, etc., or have come to no longer fall under a parent company or the subsidiary corporation, etc.;
- (iv) if the registered financial institution becomes aware of the fact that a petition for commencement of bankruptcy proceedings, commencement of rehabilitation proceedings, or commencement of reorganization proceedings has been filed (for a foreign corporation, including cases in which it becomes aware of the fact that the same type of petition has been filed in the country where its head office is located, pursuant to the laws and regulations of that country);
- (v) if the registered financial institution has amended its articles of incorporation;
- (vi) if the registered financial institution has come to know that any officer or employee has committed a problematic conduct, etc.;
- (vii) if the details of the problematic conduct, etc. referred to in the preceding paragraph become clear;
- (viii) if the registered financial institution has become a party to an action or a conciliation (limited to those that are likely to have a material impact on the business of the designated parent company or the status of property of the designated parent company and its subsidiary corporation, etc.) or if the action or conciliation has been concluded;
- (ix) if the registered financial institution becomes aware of the fact that a major shareholder has come to fall under any of Article 199, item (xi), sub-item (c), 1. through 4.;
- (x) for a domestic company, if it has come to fall under Article 57-20, paragraph (1), item (iv) of the Act;
- (xi) for a foreign company, if it has been rendered an adverse disposition by an administrative agency based on foreign laws and regulations equivalent to the Act (excluding the case when it falls under Article 29-4, paragraph (1), item (i), sub-item (a) of the Act); and
- (xii) for the highest designated parent company, the following cases:
  - (a) if the highest designated parent company has come to know that an officer or employee of a subsidiary corporation, etc. has committed a problematic conduct, etc. (excluding cases in which laws and regulations provide that a subsidiary corporation, etc. must give a notification to the Commissioner of the Financial Services Agency, etc. or take other

- procedures with regard to problematic conduct, etc.; the same applies in sub-item (b));
- (b) if the details of the problematic conduct, etc. referred to in sub-item (a) become clear;
  - (c) if the highest designated parent company has come to know that a subsidiary corporation, etc. has become a party to an action or a conciliation (limited to those that are likely to have a material impact on the business of the highest designated parent company or the status of the property of the highest designated parent company and its subsidiary corporation, etc.), or has come to know that the action or conciliation has been concluded (excluding cases in which it is provided that a subsidiary corporation, etc. must submit a notification to the Commissioner of the Financial Services Agency, etc. or take other procedures with regard to an action or a conciliation);
  - (d) if the highest designated parent company has made a subordinated borrowing or has issued subordinated corporate bonds, or has come to know that the subsidiary corporation, etc. has made a subordinated borrowing or has issued subordinated corporate bonds (excluding cases in which laws and regulations provide that a subsidiary corporation, etc. must submit a notification to the Commissioner of the Financial Services Agency, etc. or take other procedures with regard to subordinated borrowings or subordinated corporate bonds; the same applies in (e));
  - (e) if the highest designated parent company has made a payment before maturity for subordinated borrowings or has made a premature redemption of subordinated corporate bonds (including cases in which payment or redemption has been made for those without a fixed due date) or if it has come to know that the subsidiary corporation, etc. has made a payment before maturity of the subordinated borrowing or made a premature redemption of subordinated corporate bonds (including cases in which the highest designated parent company has come to know that a the subsidiary corporation, etc. has made a payment or redemption with regard to those without a fixed due date).

(Notification When the Person Ceased to Be a Parent Company)

Article 208-33 (1) A person that gives a notification pursuant to the provisions of Article 57-18, paragraph (2) of the Act must submit a written notification stating the matters specified in the following items in accordance with the category of cases set forth in each of those items to the Commissioner of the Financial Services Agency:

- (i) if the case falls under Article 57-18, paragraph (2), item (i) of the Act: that fact and the date when the person ceased to be a parent company;

- (ii) if the case falls under Article 57-18, paragraph (2), item (ii) of the Act: the following matters:
    - (a) the trade name or name of the other party to the merger;
    - (b) the date of the merger and the reasons for the merger; and
    - (c) the method of the merger;
  - (iii) if the case falls under Article 57-18, paragraph (2), item (iii) of the Act: the following matters:
    - (a) the date when the petition for commencement of bankruptcy proceedings has been filed; and
    - (b) the date when the order for commencement of bankruptcy proceedings has been issued.
  - (iv) if the case falls under Article 57-18, paragraph (2), item (iv) of the Act: the date of the dissolution and its reasons.
- (2) The documents specified in the following items must be attached to the written notification referred to in the preceding paragraph, if they fall under the category of the cases set for in each of those items:
- (i) if the case falls under Article 57-18, paragraph (2), item (ii) of the Act: a document stating the content of the merger agreement and the procedures for merger; and
  - (ii) if the case falls under Article 57-18, paragraph (2), item (iii) of the Act: a copy of the written judgment on the order for commencement of bankruptcy proceedings, or a document stating the content of the order for commencement of bankruptcy proceedings.

(Public Notice of Supervisory Dispositions)

Article 208-34 The public notice under the provisions of Article 57-22 of the Act is to be given in an Official Gazette.

### **Subsection 3 Miscellaneous Provisions**

Article 208-35 The provisions from Article 36 through 38 apply mutatis mutandis when the provisions of Article 32, paragraphs (1) and (2) of the Act apply mutatis mutandis pursuant to Article 57-26, paragraph (1) of the Act.

## **Section 5 Special Provisions on Foreign Business Operators**

### **Subsection 1 Foreign Securities Service Providers**

(Exemption from Restriction on Purchase and Sale of Securities for Professional Investors Related to Foreign Securities Service Providers)

Article 208-36 The cases specified by Cabinet Office Order as those less likely to result in insufficient protection of investors which are prescribed in Article 17-

3 of the Order are the cases set forth in the items of Article 125-3.

(Scope of Financial Institutions Which May Become Counterparties to  
Purchase and Sale of Securities)

Article 209 The financial institutions specified by Cabinet Office Order as prescribed in Article 17-3, item (i), sub-item (b) of the Order are the following financial institutions (for an agricultural cooperative among the financial institutions set forth in item (viii), limited to one that falls under a qualified institutional investor):

- (i) a bank;
- (ii) an insurance company;
- (iii) a Shinkin bank and a federation of Shinkin banks;
- (iv) a labor bank and a federation of labor banks;
- (v) The Norinchukin Bank;
- (vi) The Shoko Chukin Bank Ltd.;
- (vii) credit cooperatives and a federation of credit cooperatives (meaning the federation of cooperatives that conducts the business prescribed in Article 9-9, paragraph (1), item (i) of the Small and Medium-Sized Enterprise Cooperatives Act); and
- (viii) agricultural cooperatives and a federation of agricultural cooperatives which may accept savings on a regular basis.

Article 210 The financial institutions specified by Cabinet Office Order as prescribed in Article 17-3, item (i), sub-item (d) of the Order are the financial institutions set forth in the items of the preceding Article.

Article 211 The financial institutions specified by Cabinet Office Order as prescribed in Article 17-3, item (i), sub-item (e) of the Order are banks.

(Purchase and Sale of Securities Which May Be Conducted on a Customers'  
Account)

Article 212 The acts specified by Cabinet Office Order as prescribed in Article 17-3, item (i), sub-item (e) of the Order are the purchase and sale of securities or acts set forth in Article 28, paragraph (8), item (iii) or (v) of the Act, which are conducted in Japan by a bank based on a written order from customers that are foreign securities service providers on the account of the customers.

(Acts Related to Securities Which May Be Conducted by Foreign Securities  
Service Providers)

Article 213 (1) The transactions specified by Cabinet Office Order as prescribed in Article 17-3, item (ii), sub-item (a) of the Order are as follows:

- (i) purchase and sale of securities;
  - (ii) intermediation, brokerage, or agency services for purchase and sale of securities or a transaction set forth in Article 28, paragraph (8), item (v) of the Act; and
  - (iii) intermediation, brokerage, or agency services for purchase and sale of securities or entrustment of transactions set forth in Article 28, paragraph (8), item (v) of the Act, on a foreign financial instruments market.
- (2) The transaction specified by Cabinet Office Order as prescribed in Article 17-3, item (ii), sub-item (b) of the Order is purchase and sale of securities or a transaction set forth in Article 28, paragraph (8), item (v) of the Act.

(Matters that are to be Notified Concerning Discussion Related to Underwriting Business)

Article 214 (1) A foreign securities service provider that seeks to hold a discussion prescribed in Article 17-3, item (iii) of the Order (hereinafter referred to as "discussion" in this paragraph and paragraph (3)) in Japan must submit a written notification stating the following matters (if the foreign securities service provider is an individual, excluding the matters set forth in items (iii) and (iv)) to the Commissioner of the Financial Services Agency in advance:

- (i) the trade name or name;
  - (ii) the location of the head office or principal office;
  - (iii) the amount of the stated capital or the total amount of contribution;
  - (iv) the title and name of the officer having the authority as representative;
  - (v) the name of the person that will hold a discussion, and the person's domicile or residence in Japan or other places of contact;
  - (vi) the following matters scheduled concerning securities for which the discussion is to be held:
    - (a) the issuer or owner;
    - (b) the type;
    - (c) the quantity and amount;
    - (d) the place and date of issuance or secondary distribution; and
    - (e) other managing financial instruments business operators for underwriting (meaning the managing financial instruments business operator for underwriting prescribed in Article 59-2, paragraph (1), item (vi), sub-item (f) of the Act).
- (2) The following documents must be attached to the written notification referred to in the preceding paragraph:
- (i) a document stating the content of business (if the content of the document is the same as the content of the document filed as attachment within one year before the day of the filing of the notification prescribed in the preceding

- paragraph, a document stating the day of the filing of the prior attachment and the fact that the document filed as attachment should be referenced); and
- (ii) a document stating the outline of the securities underwriting business performed in a foreign country in the past year.
- (3) The notification prescribed in paragraph (1) is not required when conducting a discussion on national government bond securities to be issued in a foreign country or corporate bond certificates or other bond certificates for which the government guarantees redemption of principal and interest payments.

### **Subsection 2 Permission to Conduct Part of Underwriting Business**

(Persons Deemed to be Conducting the Same Type of Business as Underwriting Business)

Article 215 The persons specified by Cabinet Office Order as prescribed in Article 17-6, paragraph (2), item (v) of the Order are the persons set forth in the items of Article 15-16, paragraph (1) of the Order and other persons designated by the Commissioner of the Financial Services Agency as being equivalent to them.

(Public Notice of Revocation of Permission)

Article 216 The public notice for the revocation of permission under the provisions of Article 59-5, paragraph (3) of the Act is to be given in an Official Gazette.

(Prohibited Acts Related to Underwriting Business of Foreign Securities Service Providers)

Article 217 The acts specified by Cabinet Office Order as prescribed in Article 38, item (ix) of the Act as applied mutatis mutandis pursuant to Article 59-6 of the Act are the acts of making a false representation or a representation that may cause misunderstanding of a material matter concerning underwriting business (meaning the underwriting business prescribed in Article 59, paragraph (1) of the Act).

### **Subsection 3 Permission for On-Exchange Transaction Services**

(Application for Permission)

Article 218 A person that seeks to obtain a permission referred to in Article 60, paragraph (1) of the Act must submit to the Commissioner of the Financial Services Agency a written application for permission referred to in Article 60-2, paragraph (1) of the Act prepared by using the Appended Form No. 18, by

attaching a copy of the written application for permission and documents required to be attached to it pursuant to the provisions of paragraph (3) of that Article.

(Matters to Be Stated in Written Application for Permissions)

Article 219 The matter specified by Cabinet Office Order as prescribed in Article 60-2, paragraph (1), item (xi) of the Act is the day of the commencement of the same type of business as the on-exchange transaction (meaning an on-exchange transaction prescribed in Article 60, paragraph (1) of the Act; the same applies hereinafter).

(Content and Method of Business)

Article 220 The content and method of business specified by Cabinet Office Order as prescribed in Article 60-2, paragraph (3), item (ii) of the Act are as follows:

- (i) the basic principles of business operations;
- (ii) the method of execution of business;
- (iii) the method of division of duties;
- (iv) the type of on-exchange transaction to be conducted on a regular basis;
- (v) the system for handling complaints;
- (vi) the situation of securing officers and employees that have knowledge on Japan's Financial Instruments and Exchange Act and related regulations (meaning the Financial Instruments and Exchange Act and related regulations provided for in Article 5, paragraph (8) of the Act; the same applies in Article 232-4, item (vi)), and the situation of the assignment of those officers and employees; and
- (vii) in cases of conducting high-speed trading as on-exchange transaction services (meaning on-exchange transaction services provided in Article 60, paragraph (1) of the Act; the same applies hereinafter), the following matters:
  - (a) an outline of the transaction strategy for each transaction strategy (including the following matters):
    - 1. the type of transaction strategy;
    - 2. the name or trade name of the financial instruments exchange, etc. related to high-speed trading;
    - 3. the kind of securities or market derivatives transactions subject to high-speed trading;
  - (b) the name and title of the person supervising the work on instructions for having a person comply with laws and regulations, etc. in relation to services pertaining to high-speed trading;
  - (c) the name and title of the person responsible for managing the services

- pertaining to high-speed trading;
- (d) the outline, installation location, and maintenance method of the electronic data processing system and other facilities for high-speed trading; and
- (e) the content of the measures to ensure sufficient management of the electronic data processing systems and other facilities for high-speed trading.

(Documents to Be Attached to Written Applications for Permission)

Article 221 The matters specified by Cabinet Office Order as prescribed in Article 60-2, paragraph (3), item (vi) of the Act are as follows:

- (i) the minutes of the meeting of the board of officers, etc. (meaning a board of officers or other similar organs; the same applies in Article 232-5, item (i)) in which the resolution to commence on-exchange transaction services has been adopted;
- (ii) a document certifying that the applicant has obtained registrations, etc. (meaning the registrations, etc. prescribed in Article 59-5, paragraph (1), item (ii) of the Act) in all countries where its head office or on-exchange transaction offices (meaning an on-exchange transaction office prescribed in Article 60-2, paragraph (1), item (iii) of the Act; the same applies in Article 232-5, item (ii)) are located;
- (iii) a document certifying that the applicant has been continuously engaged in the business related to the same type of transactions as on-exchange transactions at all of on-exchange transaction offices for at least three years, or that the applicant falls under the case specified in Article 17-8, paragraph (2) of the Order;
- (iv) a document stating the calculated net assets;
- (v) resumes of the officers, the representative in a country where on-exchange transaction offices are located (meaning the representative in a country where on-exchange transaction office prescribed in Article 60-2, paragraph (1), item (iii) of the Act is located; the same applies hereinafter), and the representative in Japan (hereinafter referred to as "officers, etc." in this Subsection) (if an officer is a corporation, a document stating the background of the officer);
- (vi) an extract of the resident record of the officers, etc. (if an officer is a corporation, a certificate of registered information of the officer), or alternative documents;
- (vii) if the former surname and given name of an officer, etc. are stated together with the current name of the officer, etc. in a written application for permission referred to in Article 60-2, paragraph (1) of the Act, and the document set forth in the preceding item is not a document certifying the



- former surname and given name of the officer, etc., a document certifying the former surname and given name;
- (viii) a certificate issued by the public agency certifying that the officers, etc. do not fall under Article 29-4, paragraph (1), item (ii), sub-item (b) of the Act, or alternative documents;
- (ix) documents with which each of the officers, etc. pledges that they do not fall under any of Article 29-4, paragraph (1), item (ii), sub-item (a), or sub-items (c) through (i) of the Act; and
- (x) a document stating the measures to be taken for preventing unfair transactions, in relation to terminals to be used for conducting on-exchange transaction servicers (meaning the input/output devices used by an applicant, which are connected to the electronic data processing system used by the financial instruments exchange);
- (xi) in conducting high-speed trading as on-exchange transaction servicers, the resume of the person prescribed in item (vii), sub-items (b) and (c) of the preceding Article.

(Notification on Changes to Matters Stated in Written Applications for Permission)

Article 222 An authorized firm for on-exchange transactions which files a notification pursuant to the provisions of Article 60-5, paragraph (1) of the Act must submit to the Commissioner of the Financial Services Agency or the competent Director-General of a Local Finance Bureaus a written notification stating the content and date of the change, and the reasons for the change, by attaching a document stating the changed matters which is prepared using the Appended Form No. 18 and its copy, in addition to the document specified in the following items in accordance with the category of the cases set forth in each of those items:

- (i) if there is any change to the matters set forth in Article 60-2, paragraph (1), item (i) of the Act: the certificate of registered information stating the changed information, or alternative documents;
- (ii) if there is any change to the matters set forth in Article 60-2, paragraph (1), item (ii) of the Act: the following documents:
  - (a) the certificate of registered information stating the information related to the change, or alternative documents; and
  - (b) a document stating the fluctuations in net assets due to the change;
- (iii) if there is any change to the matters set forth in Article 60-2, paragraph (1), item (iii) of the Act: the following documents:
  - (a) the certificate of registered information stating the changed information, or alternative documents; and
  - (b) the following documents concerning the person that has newly assumed

- the position as an officer:
1. the resume (if an officer is a corporation, a document stating the background of the officer);
  2. an extract of the resident record (if an officer is a corporation, a certificate of registered information of the officer), or alternative documents;
  3. if the former surname and given name are stated together with the current name in a document stating the changed content which is prepared using the Appended Form 18 and the document set forth in 2. is not a document certifying the former surname and given name, a document certifying the former surname and given name;
  4. the certificate issued by a public agency certifying that the officer does not fall under Article 29-4, paragraph (1), item (ii), sub-item (b) of the Act, or alternative documents;
  5. the document with which the officer pledges that they do not fall under Article 29-4, paragraph (1), item (ii), sub-item (a), or sub-items (c) through (i) of the Act;
  6. the document with which the officer pledges that they do not fall under Article 60-3, paragraph (1), item (i), sub-item (j) of the Act (limited to the part related to Article 29-4, paragraph (1), item (ii), sub-item (a) of the Act); and
- (iv) if there is any change to the matters set forth in Article 60-2, paragraph (1), item (v) of the Act (limited to the case in which the name of the on-exchange transaction office has been changed): the certificate of registered information stating the changed information, or alternative documents;
- (v) if there is any change to the matters set forth in Article 60-2, paragraph (1), item (vi) of the Act (limited to the case in which the other business has been commenced): a document stating the content of the other business;
- (vi) if there is any change to the matters set forth in Article 60-2, paragraph (1), item (viii) of the Act (limited to cases in which an office or other facilities have been established in Japan): a document stating the organizational structure and assignment of personnel of the office or other facilities in Japan that have been established;
- (vii) if there is any change to the matters set forth in Article 60-2, paragraph (1), item (ix) of the Act: the following documents:
- (a) the certificate of registered information stating the changed information, or alternative documents;
  - (b) the following documents in relation to the person that has newly assumed the position of the representative in Japan:
    1. resume of the representative;
    2. an extract of the representative's resident record, or alternative

documents;

3. if the former surname and given name are stated together with the current name in a document stating the changed content which is prepared using the Appended Form 18 and the document set forth in 2. is not a document certifying the former surname and given name, a document certifying the former surname and given name;
4. the certificate issued by a public agency certifying that the person does not fall under Article 29-4, paragraph (1), item (ii), sub-item (b) of the Act, or alternative documents; and
5. the documents with which the representative in Japan pledges that they do not fall under any of Article 29-4, paragraph (1), item (ii), sub-item (a), or sub-items (c) through (i) of the Act.
6. the documents with which the representative pledges that the corporation does not fall under Article 60-3, paragraph (1), item (i), sub-item (j) of the Act (limited to the part related to Article 29-4, paragraph (1), item (ii), sub-item (a) of the Act).

(Cases When a Notification of Change Is Required)

Article 223 The cases specified by Cabinet Office Order as prescribed in Article 60-5, paragraph (2) of the Act are as follows:

- (i) if the authorized on-exchange transaction operator has suspended or resumed business at its head office or on-exchange transaction office (in the case of a on-exchange transaction office, limited to business related to an on-exchange transaction);
- (ii) when the authorized firm for on-exchange transactions merges with another corporation, if it has part of the business of the authorized firm for on-exchange transactions succeeded to or has succeeded to all or part of the business of the other corporation, or has transferred a material part of the business of the authorized firm for on-exchange transactions or has acquired all or a material part of the business of the other corporation, through a split;
- (iii) if the authorized on-exchange transaction operator has filed a petition for commencement of bankruptcy proceedings, commencement of rehabilitation proceedings, or commencement of reorganization proceedings, or has filed the same type of petition in the country where their head office or principal office is located, based on the laws and regulations of that country;
- (iv) if the authorized on-exchange transaction operator has amended its articles of incorporation (limited to a change to the parts related to on-exchange transaction services or other material changes);
- (v) if the authorized on-exchange transaction operator has commenced on-exchange transaction services;

- (vi) if the authorized on-exchange transaction operator has come to fall under a person specified in Article 60-3, paragraph (1), item (i), sub-item (a), sub-item (b), sub-items (d) through (f), or sub-item (g) (limited to the parts related to the provisions of foreign laws and regulations that are equivalent to the Act or the Act on the Provision of Financial Services) or (h) of that paragraph;
- (vii) if the authorized on-exchange transaction operator becomes aware of the fact that any of its officers, etc. has come to fall under Article 199, item (ii), sub-item (a) or (b);
- (viii) if the net assets have become less than the amount of the stated capital (excluding the case that falls under item (vi));
- (ix) if the authorized on-exchange transaction service operator has been rendered an adverse disposition from administrative agencies based on foreign laws and regulations that are equivalent to the Act (limited to dispositions related to the same type of transactions as the on-exchange transactions, and excluding cases that fall under item (vi));
- (x) if the authorized firm for on-exchange transactions has come to know that any of its officers or employees has committed an act violating laws and regulations, etc. (for an act related to business other than on-exchange transactions or a business incidental to them, limited to the acts which may have a material impact on the business operation or status of property of the authorized firm for on-exchange transactions; referred to as the "problematic conduct, etc." in the following item);
- (xi) if the details of the problematic conduct, etc. for which a notification was given based on the provisions of the preceding item have become clear; and
- (xii) if services pertaining to high-speed trading has been commenced as on-exchange transactions.

(Notification on Change of Content of Business or Method of Business)

Article 224 An authorized firm for on-exchange transactions that files a notification pursuant to the provisions of Article 60-5, paragraph (2) of the Act must submit to the Commissioner of the Financial Services Agency or the competent Director-General of a Local Finance Bureaus a written notification stating the content and date of the changes and the reason for the changes, by attaching a document specified in the following items in accordance with the category of documents prescribed in each of those items:

- (i) if there is any change to the matters set forth in the items of Article 220: a document stating the matters set forth in the items of that Article (limited to matters whose content has been changed) and a document set forth in Article 221, item (xi) (limited to matters whose content has been changed);
- (ii) if the cases falls under item (ii) of the preceding Article (limited to the case

- of a merger): the following documents:
- (a) the document stating the content of the merger agreement and the procedures for merger;
  - (b) the recent balance sheets of the parties (including the related notes; hereinafter the same applies in this Article);
  - (c) the net assets after the completion of the merger; and
  - (d) the document stating the method of handling customers' accounts;
- (iii) if the case falls under item (ii) of the preceding Article (limited to the case in which all or part of another corporation's business has been succeeded to through a split): the following documents:
- (a) the document stating the content of the absorption-type split agreement and the procedures for the split;
  - (b) recent balance sheets of the parties; and
  - (c) the document stating the net assets after the completion of the split;
- (iv) if the case falls under item (ii) of the preceding Article (limited to the case in which all or part of the other corporation's business has been acquired): the following documents:
- (a) the document stating the content of the business acquisition contract and the procedures for the acquisition of the business;
  - (b) recent balance sheets of the parties; and
  - (c) the document stating the net assets after the acquisition of the business;
- (v) if the case falls under item (iii) of the preceding Article: the following documents:
- (a) the copies of the documents related to the filing of petition for commencement of bankruptcy proceedings, commencement of rehabilitation proceedings, commencement of reorganization proceedings, or commencement of liquidation proceedings; and
  - (b) a recent daily cash count sheet;
- (vi) if the case falls under item (iv) of the preceding Article: the amended articles of incorporation;
- (vii) if the case falls under item (vi) of the preceding Article (limited to cases that have come to fall under Article 60-3, paragraph (1), item (i), sub-item (a) of the Act): the following documents:
- (a) a certificate of registered information of the company, or alternative documents; and
  - (b) a copy of the minutes of the shareholders meeting;
- (viii) if the case falls under item (vi) of the preceding Article (limited to cases that have come to fall under Article 60-3, paragraph (1), item (i), sub-item (f) of the Act): a document stating the calculation of the net assets on the day when the net assets have become less than the amount specified in Article 17-9, paragraph (1) of the Order;

- (ix) if the case falls under item (vi) of the preceding Article (limited to the cases that have come to fall under Article 60-3, paragraph (1), item (i), sub-item (g) of the Act): the following documents:
  - (a) a copy of the document ordering revocation, or alternative documents; and
  - (b) a copy of the foreign laws and regulations and their Japanese translation;
- (x) if the case falls under item (vi) of the preceding Article (limited to cases that have come to fall under Article 60-3, paragraph (1), item (i), sub-item (h) of the Act): a copy of the judgment document on the final and binding judgment, or a document stating the content of the final and binding judgment;
- (xi) if the case falls under item (vii) of the preceding Article (limited to cases in which an officer, etc. has come to fall under Article 29-4, paragraph (1), item (ii), sub-item (b) of the Act): a copy of the written judgment on the order for commencement of bankruptcy proceedings, or a document stating the content of the order for commencement of bankruptcy proceedings;
- (xii) if the case falls under item (vii) of the preceding Article (limited to cases in which an officer, etc. has come to fall under Article 29-4, paragraph (1), item (ii), sub-item (c) or (i) of the Act): a copy of the judgment document on the final and binding judgment, or a document stating the content of the final and binding judgment;
- (xiii) if the case falls under item (vii) of the preceding Article (limited to cases in which an officer, etc. has come to fall under Article 29-4, paragraph (1), item (ii), sub-item (d) or (e) of the Act, and for which a revocation was made or an order was given in a foreign country): a copy of the written order for the revocation or discontinuation of business or alternative documents, and a copy of foreign laws and regulations that has served as the basis of the revocation or discontinuation of business and their Japanese translation;
- (xiv) if the case falls under item (viii) of the preceding Article: a document stating the calculation of the net assets; and
- (xv) if the case falls under item (ix) of the preceding Article: a copy of foreign laws and regulations providing for adverse dispositions, and their Japanese translation.

#### (Books and Documents Related to Businesses)

Article 225 (1) The books and documents required to be prepared and preserved by an authorized firm for on-exchange transaction pursuant to the provisions of Article 46-2 of the Act as applied *mutatis mutandis* pursuant to Article 60-6 of the Act are the books and documents set forth in Article 157, paragraph (1), item (iii), item (iv), item (vi), item (ix), item (x), and item (xiii), or documents prepared based on foreign laws and regulations which are similar to those books and documents (hereinafter referred to as the "foreign books and

documents" in this paragraph; if the foreign books and documents are prepared in a foreign language, the following documents (referred to as the "foreign books and documents, etc." in the following paragraph)):

(i) foreign books and documents; and

(ii) Japanese translations of the forms of the foreign books and documents.

- (2) As for the books and documents prescribed in the preceding paragraph, the books and documents set forth in Article 157, paragraph (1), item (iii) and the foreign books and documents, etc. similar to them must be preserved for a period of seven years from the day of their preparation, and the books and documents set forth in Article 157, paragraph (1), item (iv), item (vi), item (ix), item (x), and item (xiii) of that paragraph and the foreign books and documents, etc. similar to them must be preserved for a period of ten years from the day of their preparation.

(Submission of Business Reports)

Article 226 The business report prescribed in Article 46-3, paragraph (1) of the Act as applied mutatis mutandis pursuant to Article 60-6 of the Act must be prepared by using the Appended Form No. 19.

(Procedures for Obtaining Approval on Due Date for Submitting Business Reports)

Article 227 (1) An authorized firm for on-exchange transactions which seeks to obtain an approval referred to in the proviso to Article 17-10, paragraph (1) of the Order must submit a written application for approval stating the following matters to the Commissioner of the Financial Services Agency or the Director-General of the competent Local Finance Bureau:

(i) the trade name;

(ii) the period for which the approval is sought for submitting the business report;

(iii) the last day of the business year related to the business report; and

(iv) the reason for requiring the approval for submitting the business report.

- (2) The following documents must be attached to the written application for the approval referred to in the preceding paragraph:

(i) the articles of incorporation, or alternative documents;

(ii) the document certifying that the representative of the authorized firm for on-exchange transactions stated in the written application for approval has legitimate authority to submit the written application for approval; and

(iii) the legal opinion letter by a law expert on the fact that the matters related to the laws and regulations or practices stated in the written application for approval are true and accurate, and a copy of the relevant provisions of the related laws and regulations set forth in the legal opinion letter.

- (3) If the application for approval referred to in paragraph (1) has been filed, and the Commissioner of the Financial Services Agency or the Director-General of the competent Local Finance Bureau finds that the authorized firm for on-exchange transactions is unable to submit a business report within three months after the end of its business year due to laws and regulations or practices of its home country, the Commissioner or the Director-General is to grant approval for the business report for the period from the business year that includes the day the application has been filed (if the day falls within three months after the commencement of the business year (if the approval has been granted for the submission of business report for the immediately preceding business year, within that approved period), the business year immediately preceding the business year) to the business year immediately preceding the business year that includes the day when the reasons specified in paragraph (1), item (iv) related to the application has ceased to exist or changed.
- (4) The approval referred to in the preceding paragraph is to be granted on the condition that the authorized firm for on-exchange transactions referred to in that paragraph submits a document stating the following matters to the Commissioner of the Financial Services Agency or the Director-General of the competent Local Finance Bureau within three months after the end of each business year; provided, however, that if the matters set forth in item (ii) has the same content as the content of the matters that have been stated in the document submitted within five years before the submission of the document, the entry of those matters may be omitted:
- (i) the fact that the reasons for applying for approval have not ceased to exist or changed in the relevant business year; and
  - (ii) a legal opinion letter by a legal expert on the matters set forth in the preceding item, and a copy of the relevant provisions of related laws and regulations set forth in the legal opinion letter.

(Procedures for Obtaining Approval on Due Date for Submitting Other Documents)

- Article 228 (1) An authorized firm for on-exchange transactions which seeks to obtain an approval referred to in the proviso to Article 17-10, paragraph (3) of the Order must submit a written application for approval stating the following matters to the Commissioner of the Financial Services Agency or the Director-General of the competent Local Finance Bureau:
- (i) the trade name;
  - (ii) the period for which the approval is sought for the submission of the other documents, etc. (meaning the documents referred to in Article 49-3, paragraph (1) of the Act as applied mutatis mutandis pursuant to Article 60-



- 6 of the Act; hereinafter the same applies in this Article);
- (iii) the last day of the business year related to the other documents, etc.; and
  - (iv) the reasons for requiring the approval for submitting the other documents, etc.
- (2) The following documents must be attached to the written application set forth in the preceding paragraph:
- (i) the articles of incorporation, or alternative documents;
  - (ii) the document certifying that the representative of the authorized firm for on-exchange transactions stated in the written application for approval has legitimate authority to submit the written application for approval; and
  - (iii) a legal opinion letter by a law expert on the fact that the matters related to the laws and regulations or practices stated in the written application for approval are true and accurate, and a copy of the relevant provisions of the related laws and regulations set forth in the legal opinion letter.
- (3) If the application for approval referred to in paragraph (1) has been filed, and the Commissioner of the Financial Services Agency or the Director-General of the competent Local Finance bureau finds that an authorized firm for on-exchange transactions is unable to submit the other documents, etc. within three months after the end of the business year due to the laws and regulations or practices of its home country, the Commissioner or the Director-General is to grant an approval to the other documents, etc. for the period from the business year that includes the day the application has been filed (if the day falls within three months after the the business year has commenced (if the approval has been granted for the submission of the other documents, etc. related to the immediately preceding business year, within that approved period), the business year immediately preceding that business year) to the business year immediately preceding the business year that includes the day when the reason provided for in paragraph (1), item (iv) related to the application has ceased to exist or changed.
- (4) The approval referred to in the preceding paragraph is to be granted on the condition that the authorized firm for on-exchange transactions referred to in that paragraph submits to the Commissioner of the Financial Services Agency or the competent Director-General of a Local Finance Bureaus documents stating the following matters within three months after the end of each business year; provided, however, that if the matters set forth in item (ii) has the same content as the content of the matters that have been stated in the document submitted within five years before the submission of the document, the entry of those matters may be omitted:
- (i) the fact that the reasons for applying for approval have not ceased to exist or changed in the relevant business year; and
  - (ii) a legal opinion letter by a legal expert on the matters set forth in the

preceding item, and a copy of the relevant provisions of the related laws and regulations set forth in the legal opinion letter.

(Report on the Status of Business or Property)

Article 229 (1) The provisions of Article 173 (excluding item (ii)) apply mutatis mutandis to the report on the status of the on-exchange transactions services or the property of the authorized firm for on-exchange transactions prescribed in Article 46-3, paragraph (2) of the Act as applied mutatis mutandis pursuant to Article 60-6 of the Act.

(2) The provisions of Article 194, paragraph (1) apply mutatis mutandis to the documents on financial calculations prescribed in Article 49-3, paragraph (1) of the Act as applied mutatis mutandis pursuant to Article 60-6 of the Act, and the provisions of Article 194, paragraph (2) apply mutatis mutandis to the documents that state the outline of the business prescribed in Article 49-3, paragraph (1) of the Act as applied mutatis mutandis pursuant to Article 60-6 of the Act. In such a case, the term "Article 49-3, paragraph (1) of the Act" in Article 194, paragraphs (1) and (2) is deemed to be replaced with "Article 49-3, paragraph (1) of the Act as applied mutatis mutandis pursuant to Article 60-6 of the Act", and the term "as applied pursuant to Article 49, paragraph (1) following the deemed replacement of terms" in that paragraph is deemed to be replaced with "as applied mutatis mutandis pursuant to Article 60-6".

(Public Notice of Revocation of Permission)

Article 230 The public notice under the provisions of Article 60-8, paragraph (3) of the Act is to be given in an Official Gazette.

(Development of the Operational Control System Concerning High-Speed Trading)

Article 230-2 The operational control system required to be developed by an authorized firm for on-exchange transactions (limited to a firm that conducts high-speed trading as an on-exchange transaction) pursuant to the provisions of Article 35-3 of the Act as applied mutatis mutandis pursuant to Article 60-13 of the Act must satisfy the following requirements:

- (i) internal rules, etc. (meaning internal rules and other rules equivalent to them) for performing on-exchange transactions related to high-speed trading in an appropriate manner have been developed, and training for employees and other measures for complying with the internal rules, etc. have been taken; and
- (ii) the measures to ensure sufficient management of other facilities for high-speed trading have been taken.

(Acts Equivalent to Acts of Accepting Entrustment of Purchase and Sale of Securities Related to High-Speed Trading Conducted by Persons Other Than High-Speed Traders)

Article 230-3 The acts specified by Cabinet Office Order as prescribed in Article 38, item (viii) of the Act as applied mutatis mutandis pursuant to Article 60-13 of the Act are the acts set forth in the items of Article 116-4.

(Prohibited Acts Related to On-Exchange Transaction Services)

Article 231 (1) The acts specified by Cabinet Office Order as prescribed in Article 38, item (ix) of the Act as applied mutatis mutandis pursuant to Article 60-13 of the Act are as follows:

- (i) an act by an officer (if the officer is a corporation, including members that are to perform its duties), representative in Japan, or employee of the authorized firm for on-exchange operator to conduct the purchase and sale or other transactions of securities by taking advantage of their position and based on the trends in the purchase and sale or other transactions, etc. of securities and other special information learned in the course of their duties;
- (ii) an act of becoming entrusted, etc. with purchase and sale or other transactions of securities of customers, knowing that the purchase and sale or other transactions of securities violates or may violate the provisions of Article 166, paragraph (1) or (3) or Article 167, paragraph (1) or (3) of the Act;
- (iii) for purchase and sale or other transactions of securities or derivative transactions related to securities, or for intermediation, brokerage, or agency services for them, an act of soliciting a customer by providing the customer with corporate information on the issuer of those securities;
- (iii)-2 for purchase and sale or other transaction of securities, derivative transactions related to securities (hereinafter referred to as "purchase and sale, etc." in this item), or intermediation, brokerage, or agency services for them, an act of soliciting a customer by recommending the customer to conduct purchase and sale, etc. for the purpose of having the customer gain profit before corporate information on the issuer of the securities has been considered to be disclosed, or avoiding causing loss to the customer (excluding the act set forth in the preceding item);
- (iv) an act of conducting purchase and sale or other transactions of securities (if the purchase and sale or other transaction of securities is purchase and sale of securities, excluding purchase and sale of securities closed upon the exercise of options (including rights similar to options which are related to foreign market derivatives transactions that are those similar to the transaction referred to in Article 28, paragraph (8), item (iii), sub-item (c), 1. of the Act)) related to the corporate information, on their own account and

- based on the corporate information;
- (v) an act of soliciting unspecified and many customers purchase or sale of the securities or market derivatives transactions of a specified and small number of issues, or entrustment, etc. for them simultaneously and in an excessively aggressive manner continuously over a certain period, which is likely to hinder the formation of a fair price (for a market derivatives transaction, the matter equivalent to price);
  - (vi) an act of conducting purchase, sale, or derivative transactions related to the listed financial instruments, etc. or of making an application of or entrustment, etc. for them, for the purpose of causing fluctuation or pegging, fixing, or stabilizing the quotation, or the figures calculated based on the quotations or transaction volumes of, the listed financial instruments, etc. on a financial instruments exchange market, or for the purpose of increasing the transaction volume;
  - (vii) an act of becoming entrusted, etc. with purchase, sale, or derivative transactions related to the listed financial instruments, etc. (excluding brokerage for clearing of securities, etc.), knowing that causing fluctuation, pegging, fixing, or stabilizing the quotation, or the figures calculated based on the quotations or transaction volumes of, the listed financial instruments, etc. on a financial instruments exchange market, or increasing the transaction volumes is to result in the formation of manipulative quotations that do not reflect the actual market status;
  - (viii) an act of an authorized firm for on-exchange transactions which has conducted a stabilizing transaction or has been entrusted, etc. with the stabilizing transaction (excluding the case of being entrusted with brokerage for clearing of securities, etc.), becoming entrusted, etc. with purchase, etc. or sale of share certificates, market value share option certificates, market value corporate bond certificates with share options, preferred equity securities, investment securities, or market value investment equity subscription rights certificates, issued by the issuer of the securities related to the stabilizing transaction (excluding the case of being entrusted, etc. with the purchase from a financial instruments business operator, etc., the sale to a financial instruments business operator, etc., and brokerage for clearing of securities, etc. related to sale), or becoming entrusted, etc. (excluding becoming entrusted, etc. from a financial instruments business operator, etc.) with securities-related derivatives transactions concerning the purchase and sale of those securities (limited to acquiring calls or granting puts), in the period between the time of conducting the first stabilizing transaction and the last day of the period for stabilizing transactions specified in Article 24, paragraph (1) of the Order, without indicating the fact that stabilizing transaction was conducted for securities subject to the stabilizing transaction.

- (ix) while knowing that a customer is likely to conduct a derivatives transaction in violation of Article 185-22, paragraph (1), Article 185-23, paragraph (1), or Article 185-24, paragraph (1) or (2) of the Act (including a transaction conducted in relation to an act that violates these provisions), an act of conducting the transaction or becoming entrusted, etc. with the transaction;
  - (x) an act of conducting a derivatives transaction for cryptoassets, or filing an application for the transaction, or entrusting, etc. the transaction, for the purpose of causing fluctuations in the quotations of cryptoassets or the figures calculated based on the quotations or transaction volumes of cryptoassets, or for the purpose of increasing the transaction volumes of cryptoassets; and
  - (xi) an act of becoming entrusted, etc. with a derivative transaction for cryptoassets (excluding brokerage for clearing of securities, etc.), while knowing that the entrustment is to result in manipulative quotations not reflecting actual market status due to causing fluctuations in the quotations of cryptoassets or the figures calculated based on the quotations or transaction volumes, or by increasing the transaction volumes.
- (2) The provisions of items (vi) and (vii) of the preceding paragraph do not apply if a series of purchase and sale of securities, etc. or their entrustment, etc. is to be made, when the series of purchase and sale of securities, etc. is to be conducted on a financial instruments exchange market in order to facilitate public offering of securities (limited to the public offering made to 50 or more persons), solicitation for acquisition only for professional investors (limited to the solicitation made to 50 or more persons), secondary distribution of securities (limited to the distribution made to 50 or more persons) or solicitation for selling, etc. only for professional investors (limited to the solicitation made to 50 or more persons).

(Circumstances In Which Status of the Operation of Business Is Likely to Be Contrary to Public Interest or Hinder Protection of Investors)

Article 232 The circumstances specified by Cabinet Office Order as prescribed in Article 40, item (ii) of the Act as applied mutatis mutandis pursuant to Article 60-13 of the Act are as follows:

- (i) circumstances in which it is found that an authorized firm for on-exchange transactions has not taken the measures necessary and appropriate for preventing unfair transactions related to corporate information for the management of corporate information handled by the authorized firm for on-exchange transactions or the management related to a customer's purchase and sale or other transactions of securities;
- (ii) circumstances in which it is found that an authorized on-exchange

- transactions has not established trading management sufficient for preventing an act of making an application, entrustment, etc. for, or becoming entrusted, etc. with the sale, purchase, or derivative transactions related to the listed financial instruments, etc., which should result in the formation of a manipulative quotation not reflecting actual market status by causing fluctuation, pegging, fixing or stabilizing the quotation, or the figures calculated based on the quotation or transaction volumes of, the listed financial instruments, etc. on the financial instruments exchange market, or by increasing the transaction volumes;
- (iii) circumstances in which the management of an electronic data processing system for on-exchange transactions is found to be insufficient (in the case of an authorized firm for on-exchange operator which conducts high-speed trading as an on-exchange transaction, including the situation provided for in Article 66-57, item (i) of the Act).
  - (iv) circumstances in which it is found that an authorized firm for on-exchange transactions has not taken measures for the cryptoasset-related derivatives transactions, etc. that it conducts, to examine whether or not a customer for on-exchange transactions (limited to transactions related to on-exchange transactions for cryptoassets; hereinafter the same applies in this item) is violating the provisions of Article 185-22, paragraph (1), Article 185-23, paragraph (1), or Article 185-24, paragraph (1) or (2) of the Act, in accordance with the trend and content of orders related to cryptoasset-related derivatives transactions, etc. placed by them, the situation of cryptoasset-related derivatives transactions, etc. and other circumstances, and if it is suspected that the customer is violating these provisions, to suspend the trading related to on-exchange transactions conducted with the customer, or other measures necessary for preventing unfair acts concerning cryptoasset-related derivatives transactions, etc.; and
  - (v) circumstances in which it is found that the management of purchase and sale for preventing the act of conducting derivatives transactions for the cryptoassets, etc. that should form manipulative quotations not reflecting actual market status through causing fluctuations in the quotations of cryptoassets or figures calculated based on quotations or the transaction volumes, or by increasing the transaction volumes.

#### **Subsection 4 Permission for Business of Conducting Electronic Over-the-Counter Derivatives Transactions**

(Application for Permission)

Article 232-2 A person that seeks to obtain a permission referred to in Article 60-14, paragraph (1) of the Act must submit to the Commissioner of the

Financial Services Agency a written application for permission referred to in Article 60-2, paragraph (1) of the Act as applied mutatis mutandis pursuant to Article 60-14, paragraph (2) of the Act prepared using the Appended Form 19-2, by attaching a copy of the written application for permission and documents required to be attached to the written application for permission pursuant to Article 60-2, paragraph (3) of the Act as applied mutatis mutandis pursuant to Article 60-14, paragraph (2) of the Act.

(Matters to Be Stated in Written Applications for Permission)

Article 232-3 The matter specified by Cabinet Office Order as prescribed in Article 60-2, paragraph (1), item (xi) of the Act as applied mutatis mutandis pursuant to Article 60-14, paragraph (2) of the Act is the day of the commencement of the same type of business as the business of conducting electronic over-the-counter derivatives transactions, etc.

(Content and Method of Business)

Article 232-4 The content and method of business specified by Cabinet Office Order as prescribed in Article 60-2, paragraph (3), item (ii) of the Act as applied mutatis mutandis pursuant to Article 60-14, paragraph (2) of the Act are as follows:

- (i) the basic principles of business operations;
- (ii) the method of executing business;
- (iii) the method of division of duties;
- (iv) the type and specific content of specified over-the-counter derivatives transactions conducted concerning the business of conducting electronic over-the-counter derivatives transactions, etc.;
- (v) the system for resolving complaints;
- (vi) the situation of securing officers and employees that have knowledge on Japan's laws and regulations related to financial instruments transactions, and the situation of the assignment of those officers and employees.
- (vii) the name and title of the person responsible for managing the business of conducting electronic over-the-counter derivatives transactions, etc.;
- (viii) the name and organizational structure of the department in charge of the business of conducting electronic over-the-counter derivatives transactions, etc. and the department in charge of the business related to public announcement based on the provisions of Article 40-7, paragraph (2) of the Act as applied mutatis mutandis pursuant to Article 60-14, paragraph (2) of the Act (if a part of the business of conducting electronic over-the-counter derivatives transactions, etc. or a part of the business related to the public announcement based on the provisions of Article 40-7, paragraph (2) of the Act as applied mutatis mutandis pursuant to Article 60-14, paragraph (2) of

- the Act is entrusted to another person, including that person);
- (ix) the standards for initiating a transaction with customers related to the business of conducting electronic over-the-counter derivatives transactions, etc., and the method of managing customers;
  - (x) the matters concerning fees;
  - (xi) the method of disclosing quotes for sale or purchase and other pricing information to customers (limited to the method of using an electronic data processing system or other electronic methods);
  - (xii) the method for deciding transaction price (for specified over-the-counter derivatives transactions in which the amount designated by the party as a notional principal does not exceed the amount specified in the items of Article 125-8, paragraph (2) in accordance with the category of the period from the day when the specified over-the-counter derivatives transaction becomes effective to the day when the transaction ceases to be effective specified in each of those items, limited to the method that enables customers to choose either the method specified in the following sub-item (a), or the method specified in the following sub-item (a) or (b)) and the time when the transaction is closed:
    - (a) the method of using a price based on quotes for sale or purchase for themselves or customers publicized pursuant to the provisions of the preceding item;
    - (b) the method of using a price decided based on a negotiation among customers (limited to a negotiation conducted after requesting three or more other customers based on the designation by a customer to present quotes for sale or purchase, and notifying the customer of the quotes for sale or purchase presented by the other customers in response to the request, the quotes for sale or purchase publicized pursuant to the preceding item, and the quotes the applicant for registration themselves present the quotes for sale or purchase);
  - (xiii) the method of public announcement based on the provisions of Article 40-7, paragraph (2) of the Act as applied mutatis mutandis pursuant to Article 60-14, paragraph (2) of the Act;
  - (xiv) the outline, installation location, capacity, and maintenance method of the electronic data processing system used for the business of conducting electronic over-the-counter derivatives transactions, etc., and the method of handling in the case of malfunction of the electronic data processing system;
  - (xv) the method of settlement of the business of conducting electronic over-the-counter derivatives transactions, etc. (including the method of having a financial instruments clearing organization (including a collaborating clearing organization, etc., if the financial instruments clearing organization conducts collaborating financial instruments obligation assumption service)



- or a foreign financial instruments clearing organization appropriately and promptly bear the obligations arising from transactions set forth in Article 156-62, item (i) or (ii)), and the method of handling in the case a customer defaults on a contract;
- (xvi) the method for preparing and preserving transaction records for the business of conducting electronic over-the-counter derivatives transactions, etc.;
  - (xvii) for the status of the execution of the business of conducting electronic over-the-counter derivatives transactions, etc., the frequency of conducting inspections, and the name and structure of the department in charge of the inspection (if a part of that business is entrusted to another person, including that person);
  - (xviii) the means of the prevention of unfair transactions, and any other matters relating to the securing of fair transactions; and
  - (xix) other material matters concerning the management of risk of loss related to the electronic trading platform management service.

(Documents to Be Attached to Written Applications for Permission)

Article 232-5 The documents specified by Cabinet Office Order as prescribed in Article 60-2, paragraph (3), item (vi) of the Act as applied mutatis mutandis pursuant to Article 60-14, paragraph (2) of the Act are as follows.

- (i) the minutes of the board of officers' meetings, etc. that resolved the commencement of the business of conducting electronic over-the-counter derivatives transactions, etc.;
- (ii) a document certifying that the applicant has obtained registrations, etc. in all countries where their head office or offices for electronic over-the-counter derivatives transactions, etc. are located (meaning offices for electronic over-the-counter derivatives transactions, etc. provided for in Article 60-2, paragraph (1), item (iii) of the Act as applied mutatis mutandis pursuant to Article 60-14, paragraph (2) of the Act following the deemed replacement of terms; the same applies hereinafter);
- (iii) a document certifying that the applicant has continuously conducted the business related to the same type of business as the business of conducting electronic over-the-counter derivatives transactions, etc. at all of their offices for electronic over-the-counter derivatives transactions, etc. for at least one year, or that the applicant falls under the case specified in Article 17-10-4, paragraph (2) of the Order;
- (iv) a document stating the calculated amount of net assets;
- (v) the resumes of the applicant's officers, representative in a country where the offices for electronic over-the-counter derivatives transactions, etc. are located (meaning the representative in countries where the offices for

- electronic over-the-counter derivatives transactions, etc. are located which are prescribed in Article 60-2, paragraph (1), item (iii) of the Act as applied mutatis pursuant to Article 60-14, paragraph (2) of the Act following the deemed replacement of terms), and their representative in Japan (hereinafter referred to as "officers, etc." in this Subsection) (if an officer is a corporation, a document stating the background of the officers);
- (vi) the extracts of the resident records of the officers, etc. (if an officers is a corporation, the certificate of registered information of the officer), or alternative documents;
  - (vii) if the former surname and given name of an officer, etc. are stated together with the current name of the officer, etc. in a written application for permission referred to in Article 60-2, paragraph (1) of the Act as applied mutatis mutandis pursuant to Article 60-14, paragraph (2) of the Act, and the document set forth in the preceding item is not a document certifying the former surname and given name of the officer, etc., a document certifying the former surname and given name;
  - (viii) the certificates issued by a public agency certifying that the officers, etc. do not fall under Article 29-4, paragraph (1), item (ii), sub-item (b) of the Act, or alternative documents;
  - (ix) the documents with which the officer, etc. pledges that they do not fall under any of Article 29-4, paragraph (1), item (ii), sub-item (a), or sub-items (c) through (g) of the Act;
  - (x) the resume of the person responsible for managing the business of conducting electronic over-the-counter derivatives transactions, etc.;
  - (xi) the internal rules concerning the business of conducting electronic over-the-counter derivatives transactions, etc.;
  - (xii) the written contract and attached documents to be used in conducting transactions with customers concerning business of conducting electronic over-the-counter derivatives transactions, etc.;
  - (xiii) the document stating the measures taken for preventing unfair transactions, in relation to the electronic data processing system to be used for conducting business of conducting electronic over-the-counter derivatives transactions, etc.; and
  - (xiv) an appraisal report issued by a person that does not have a special interest relationship with the applicant for permission concerning the matters set forth in item (xiv) of the preceding Article.

(Examination Criteria for Personnel Structure)

Article 232-6 When conducting an examination on whether the applicant for permission has a personnel structure sufficient to appropriately conduct an electronic over-the-counter derivatives transactions, etc. business, whether the

applicant falls under any of the following criteria:

- (i) the applicant for permission is found unable to conduct the business in a proper manner, in light of the state of securing officers or employees that have sufficient knowledge and experience for conducting the business and the organizational structure; and
- (ii) the applicant for permission is found likely to cause the business of conducting electronic over-the-counter derivatives transactions, etc. to lose credibility, due to the fact of having an officer or employee with qualities inappropriate for the operation of the business in light of the officer's or the employee's career record, relationship with the organized crime group as defined in Article 2, item (ii) of the Act on Prevention of Unjust Acts by Organized Crime Group Members, or relationship with the organized crime group members set forth item (vi) of that Article, and other circumstances;

(Notification of Change to Matters Stated in Written Applications for Authorization)

Article 232-7 A business operator authorized to conduct electronic over-the-counter derivatives transactions, etc. which files a notification pursuant to the provisions of Article 60-5, paragraph (1) of the Act as applied mutatis mutandis pursuant to Article 60-14, paragraph (2) of the Act must submit to the Commissioner of the Financial Services Agency a written notification stating the content of the change, the date of the change, and the reasons for the change, by attaching a document stating the changed content which is prepared using the Appended Form 19-2 and its copy, as well as the documents specified in the following items in accordance with the category set forth in each of those items:

- (i) if there is any change to the matters set forth in Article 60-2, paragraph (1), item (i) of the Act as applied mutatis mutandis pursuant to Article 60-14, paragraph (2) of the Act: the certificate of registered information stating the changed information, or alternative documents;
- (ii) if there is any change to the matters set forth in Article 60-2, paragraph (1), item (ii) of the Act as applied mutatis mutandis pursuant to Article 60-14, paragraph (2) of the Act: the following documents:
  - (a) the certificate of registered information stating the changed information, or alternative documents;
  - (b) the document stating the fluctuations in the net assets due to the change;
- (iii) if there is any change to the matters set forth in Article 60-2, paragraph (1), item (iii) of the Act as applied mutatis mutandis pursuant to Article 60-14, paragraph (2) of the Act: the following documents:
  - (a) the certificate of registered information stating the changed information, or alternative documents;

- (b) the following documents for the person that has newly assumed the position as an officer:
1. the resume (if an officer is a corporation, a document stating the background of the officer);
  2. an extract of the resident record (if an officers is a corporation, the certificate of registered information of the officer), or alternative documents;
  3. if the former surname and given name are stated together with the current name in a document stating the changed content which is prepared using the Appended Form 19-2 and the document set forth in 2. is not a document certifying the former surname and given name, a document certifying the former surname and given name;
  4. the certificate issued by a public agency evidencing that the officer does not fall under Article 29-4, paragraph (1), item (ii), sub-item (b) of the Act, or alternative documents; and
  5. the document with which the officer pledges that the officer does not fall under any of Article 29-4, paragraph (1), item (ii), sub-item (a), or sub-items (c) through (g) of the Act;
  6. the document with which the officer pledges that the corporation does not fall under Article 60-3, paragraph (1), item (i), sub-item (j) of the Act (limited to the part related to Article 29-4, paragraph (1), item (ii), sub-item (a) of the Act) as applied mutatis mutandis pursuant to Article 60-14, paragraph (2) of the Act; and
- (iv) if there is any change to the matters set forth in Article 60-2, paragraph (1), item (v) of the Act as applied mutatis mutandis pursuant to Article 60-14, paragraph (2) of the Act (only if the name of the office of over-the-counter derivatives transactions, etc. was changed): the certificate of registered information stating the changed information, or alternative documents;
- (v) if there is any change to the matters set forth in Article 60-2, paragraph (1), item (vi) of the Act as applied mutatis mutandis pursuant to Article 60-14, paragraph (2) of the Act (only if the other business was commenced): a document stating the content of the other business;
- (vi) if there is any change to the matters set forth in Article 60-2, paragraph (1), item (viii) of the Act as applied mutatis mutandis pursuant to Article 60-14, paragraph (2) of the Act (only if an office or other facilities have been established in Japan): a document stating the organizational structure and assignment of personnel for the office or other facilities in Japan that have been established;
- (vii) if there is any change to the matters set forth in Article 60-2, paragraph (1), item (ix) of the Act as applied mutatis mutandis pursuant to Article 60-14, paragraph (2) of the Act: the following documents:

- (a) the certificate of registered information stating the changed information, or alternative documents;
- (b) the following documents for the person that has newly assumed the position of the representative in Japan:
  - 1. resume; and
  - 2. an extract of the representative's resident record, or alternative documents;
  - 3. if the former surname and given name are stated together with the current name in a document stating the changed content which is prepared using the Appended Form 19-2 and the document set forth in 2. is not a document certifying the former surname and given name, a document certifying the former surname and given name;
  - 4. the certificates issued by a public agency evidencing that the officer does not fall under Article 29-4, paragraph (1), item (ii), sub-item (b) of the Act, or alternative documents; and
  - 5. the document with which the representative in Japan pledges that they do not fall under any of Article 29-4, paragraph (1), item (ii), sub-item (a), or sub-items (c) through (g) of the Act.
  - 6. the document with which the representative pledges that the corporation does not fall under Article 60-3, paragraph (1), item (i), sub-item (j) of the Act (limited to the part related to Article 29-4, paragraph (1), item (ii), sub-item (a) of the Act) as applied mutatis mutandis pursuant to Article 60-14, paragraph (2) of the Act.

(Cases When Notification of Change Is Required)

Article 232-8 The cases specified by Cabinet Office Order as prescribed in Article 60-5, paragraph (2) of the Act as applied mutatis mutandis pursuant to Article 60-14, paragraph (2) of the Act are the following cases:

- (i) if the business operator authorized to conduct electronic over-the-counter derivatives transactions, etc. has suspended or resumed the business at their head office or offices for electronic over-the-counter derivatives transactions, etc. (for offices for electronic over-the-counter derivatives transactions, etc., limited to the business related to electronic over-the-counter derivatives transactions, etc.);
- (ii) if the business operator authorized to conduct electronic over-the-counter derivatives transactions, etc. has merged with another corporation, if they have had part of the business of the business operator authorized to conduct electronic over-the-counter derivatives transactions, etc. succeeded through a split, have succeeded to all or part of the other corporation's business through a split, have transferred a material part of the business of the business operator authorized to conduct electronic over-the-counter

- derivatives transactions, etc., or have acquired all or a material part of any other corporation's business;
- (iii) if the business operator authorized to conduct electronic over-the-counter derivatives transactions, etc. has filed a petition for commencement of bankruptcy proceedings, commencement of rehabilitation proceedings, or commencement of reorganization proceedings, or has filed the same type of petition in the country where their head office or principal office is located, pursuant to the laws and regulations of that country;
  - (iv) if the business operator authorized to conduct electronic over-the-counter derivatives transactions, etc. has changed the articles of incorporation (limited to a change to the parts related to its business of conducting electronic over-the-counter derivatives transactions, etc. or other material changes);
  - (v) if the business operator authorized to conduct electronic over-the-counter derivatives transactions, etc. has commenced the business of conducting electronic over-the-counter derivatives transactions, etc.;
  - (vi) if the business operator authorized to conduct electronic over-the-counter derivatives transactions, etc. has come to fall under a person specified in Article 60-3, paragraph (1), item (i), sub-item (a), sub-item (b), sub-item (e), sub-item (f), sub-item (g) (limited to the parts related to the provisions of foreign laws and regulations that are equivalent to the Act or the Act on the Provision of Financial Services) or sub-item (h) of that paragraph as applied *mutatis mutandis* pursuant to Article 60-14, paragraph (2) of the Act;
  - (vii) if the business operator authorized to conduct electronic over-the-counter derivatives transactions, etc. becomes aware of the fact that any of the officers, etc. has come to fall under Article 199, item (ii), sub-item (a) or (b);
  - (viii) if the net assets have become less than the amount of the stated capital (excluding the cases that fall under item (vi));
  - (ix) if the business operator authorized to conduct electronic over-the-counter derivatives transactions, etc. has been rendered an adverse disposition by an administrative agency based on foreign laws and regulations that are equivalent to the Act (limited to those related to the same type of transactions as the business of conducting electronic over-the-counter derivatives transactions, etc., and excluding the cases that fall under item (vi));
  - (x) if the business operator authorized to conduct electronic over-the-counter derivatives transactions, etc. has come to know the fact that any of the officers or employees has committed an act violating laws and regulations, etc. (for an act related to the business other than the business of conducting electronic over-the-counter derivatives transactions, etc. or a business incidental to that, limited to acts that are likely to have a material impact on

the business operation or status of property of the business operator authorized to conduct electronic over-the-counter derivatives transactions, etc.; referred to as "problematic conduct, etc." in the following item); and (xi) if the details of the problematic conduct, etc. for which a notification was given based on the provisions of the preceding item have become clear.

(Notification of Change to Content or Method of Business)

Article 232-9 A business operator authorized to conduct electronic over-the-counter derivatives transactions, etc. which files a notification pursuant to the provisions of Article 60-5, paragraph (2) of the Act as applied mutatis mutandis pursuant to Article 60-14, paragraph (2) of the Act must submit to the Commissioner of the Financial Services Agency a written notification stating the content of the change, the date of the change, and the reasons for the change, by attaching the documents specified in the following items in accordance with the category of the cases set forth in each of those items:

- (i) if there is any change to the matters set forth in the items of Article 232-4: a document stating the matters set forth in the items of that Article (limited to matters whose content has been changed);
- (ii) if the case falls under item (ii) of the preceding Article (limited to the case of a merger): the following documents:
  - (a) the document stating the content of the merger agreement and the procedures for merger;
  - (b) a recent balance sheet of the parties (including the related notes; hereinafter the same applies in this Article);
  - (c) the document stating the net assets after the completion of the merger and
  - (d) the document stating the method of handling the customers' accounts;
- (iii) if the case falls under item (ii) of the preceding Article (limited to cases in which the business operator authorized to conduct electronic over-the-counter derivatives transactions, etc. has succeeded to all or part of another corporation's business through a split): the following documents:
  - (a) the document stating the content of the absorption-type split agreement and the procedures for the split;
  - (b) a recent balance sheet of the parties; and
  - (c) the document stating the net assets after the the split.
- (iv) if the cases falls under item (ii) of the preceding Article (limited to cases in which the business operator authorized to conduct electronic over-the-counter derivatives transactions, etc. has acquired all or part of another corporation's business): the following documents:
  - (a) the document stating the content of the business acquisition contract and the procedures for the acquisition of the business;

- (b) a recent balance sheet of the parties; and
- (c) the document stating the net assets after the acquisition of the business;
- (v) if the case falls under item (iii) of the preceding Article: the following documents:
  - (a) the copies of the documents related to the filing of petition for commencement of bankruptcy proceedings, commencement of rehabilitation proceedings, commencement of reorganization proceedings, or commencement of liquidation proceedings; and
  - (b) a recent daily cash count sheet.
- (vi) if the case falls under item (iv) of the preceding Article: the amended articles of incorporation;
- (vii) if the case falls under item (vi) of the preceding Article (limited to cases in which the business operator authorized to conduct electronic over-the-counter derivatives transactions, etc. has come to fall under Article 60-3, paragraph (1), item (i), (a) of the Act as applied mutatis mutandis pursuant to Article 60-14, paragraph (2) of the Act): the following documents:
  - (a) a certificate of registered information of the company, or alternative documents; and
  - (b) a copy of the minutes of the shareholders meeting.
- (viii) if the case falls under item (vi) of the preceding Article (limited to cases in which the business operator authorized to conduct electronic over-the-counter derivatives transactions, etc. has come to fall under Article 60-3, paragraph (1), item (i), sub-item (f) of the Act as applied mutatis mutandis pursuant to Article 60-14, paragraph (2) of the Act): a document stating the calculation of the net assets on the day when the net assets have become less than the amount specified in Article 17-10-5, paragraph (1) of the Order;
- (ix) if the case falls under item (vi) of the preceding Article (limited to cases in which the business operator authorized to conduct electronic over-the-counter derivatives transactions, etc. has come to fall under Article 60-3, paragraph (1), item (i), sub-item (g) of the Act as applied mutatis mutandis pursuant to Article 60-14, paragraph (2) of the Act): the following documents:
  - (a) a copy of the written order for revocation, or alternative documents; and
  - (b) a copy of laws and regulations of the foreign country and their Japanese translation;
- (x) if the case falls under item (vi) of the preceding Article (limited to cases in which the business operator authorized to conduct electronic over-the-counter derivatives transactions, etc. has come to fall under Article 60-3, paragraph (1), item (i), sub-item (h) of the Act as applied mutatis mutandis pursuant to Article 60-14, paragraph (2) of the Act): a copy of the judgment document on the final and binding judgment or a document stating the content of the final and binding judgment;



- (xi) if the case falls under item (vii) of the preceding Article (limited to cases in which an officer, etc. has come to fall under Article 29-4, paragraph (1), item (ii), sub-item (b) of the Act): a copy of the written judgment on the order for commencement of bankruptcy proceedings or a document stating the content of the order for commencement of bankruptcy proceedings;
- (xii) if the cases falls under item (vii) of the preceding Article (limited to cases in which an officer, etc. has come to fall under Article 29-4, paragraph (1), item (ii), sub-item (c) or (g) of the Act): a copy of the judgment document on the final and binding judgment, or a document stating the content of the final and binding judgment;
- (xiii) if the case falls under item (vii) of the preceding Article (limited to cases in which the officer, etc. has come to fall under Article 29-4, paragraph (1), item (ii), sub-item (d) or (e) of the Act, and if a revocation was made or order was given in a foreign country): a copy of the written order for the rescission or discontinuation, or alternative documents, and a copy of the foreign laws and regulations that has served as the basis of the revocation or discontinuation of business, and their Japanese translation;
- (xiv) if the case falls under item (viii) of the preceding Article, a document stating the calculation of the net assets; and
- (xv) if the case falls under item (ix) of the preceding Article, a copy of foreign laws and regulations providing for the adverse dispositions and their Japanese translation.

(Books and Documents Concerning Business)

- Article 232-10 (1) The books and documents required to be prepared and preserved by a business operator authorized to conduct electronic over-the-counter derivatives transactions, etc. pursuant to the provisions of Article 46-2 of the Act as applied mutatis mutandis pursuant to Article 60-6 of the Act as applied mutatis mutandis pursuant to Article 60-14, paragraph (2) of the Act are the books and documents set forth in Article 157, paragraph (1), item (iii), item (iv), and item (xv)-2 or the documents similar to those documents prepared based on foreign laws and regulations (hereinafter referred to as "foreign books and documents" in this Article, and if the foreign books and documents are prepared in a foreign language, the following documents):
- (i) the foreign books and documents; and
  - (ii) a Japanese translation of the forms of the foreign books and documents.
- (2) The books and documents provided for in the preceding paragraph or foreign books and documents (including the translations in the form of foreign books and documents) must be preserved for ten years from the date of their preparation.

(Submission of Business Reports)

Article 232-11 A business report provided for in Article 46-3, paragraph (1) of the Act as applied mutatis mutandis pursuant to Article 60-6 of the Act as applied mutatis mutandis pursuant to Article 60-14, paragraph (2) of the Act must be prepared using the Appended Form 19-3.

(Procedures for Obtaining Approval on Due Date for Submitting Business Reports)

Article 232-12 (1) If a business operator authorized to conduct electronic over-the-counter derivatives transactions, etc. seeks to obtain an approval referred to in the proviso to Article 17-10, paragraph (1) of the Order, they must submit a written application for approval stating the following matters to the Commissioner of the Financial Services Agency:

- (i) the trade name;
- (ii) the period for which the approval is sought for the submission of the business report;
- (iii) the last day of the business year related to the business report; and
- (iv) the reasons for requiring the approval for the submission of the business report.

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

- (i) the articles of incorporation or alternative documents;
- (ii) a document certifying that the representative of the business operator authorized to conduct electronic over-the-counter derivatives transactions, etc. stated in the written application for approval is a person that has legitimate authority to submit the written application for approval; and
- (iii) a legal opinion letter by a law expert on the fact that the matters related to laws and regulations or practices stated in the written application for approval are true and accurate, and a copy of the relevant provisions of the related laws and regulations set forth in the legal opinion letter.

(3) If the application for approval referred to in paragraph (1) has been filed, and it is found that the business operator authorized to conduct electronic over-the-counter derivatives transactions, etc. is unable to submit the business report within three months after the end of the business year due to the laws and regulations or practices of their home country, the Commissioner of the Financial Services Agency is to grant an approval to the business report for the business year that includes the day the application has been filed (if the day falls within three months from the commencement of the business year (if approval has been granted for the submission of a business report for the immediately preceding business year, within that approved period), the business year immediately preceding the business year) through the business

year immediately preceding the business year that includes the day when the reason specified in item (iv) of that paragraph related to the application was filed ceases to exist or changes.

- (4) The approval referred to in the preceding paragraph is to be granted on the condition that the business operator authorized to conduct electronic over-the-counter derivatives transactions, etc. referred to in that paragraph submits a document stating the following matters to the Commissioner of the Financial Services Agency or the competent Director-General of a Local Finance Bureau within three months after the end of each business year; provided, however, that if the content of the matters set forth in item (ii) is the same as the content of the matters that have been stated in the document submitted within five years before the submission of the document, the entry of those matters may be omitted:
- (i) the fact that the reasons for applying for approval have not ceased to exist or changed in the relevant business year; and
  - (ii) a legal opinion letter by a legal expert on the matters set forth in the preceding item, and a copy of the relevant provisions of the related laws and regulations set forth in the written legal opinion.

(Procedures for Obtaining Approval on Due Date for Submitting Other Documents)

Article 232-13 (1) A business operator authorized to conduct electronic over-the-counter derivatives transactions, etc. that seeks to obtain an approval referred to in the proviso to Article 17-10, paragraph (3) of the Order must submit a written application for approval stating the following matters to the Commissioner of the Financial Services Agency:

- (i) the trade name;
  - (ii) the period for which the approval is sought for the submission of other documents, etc. (meaning the documents referred to in Article 49-3, paragraph (1) of the Act as applied mutatis mutandis pursuant to Article 60-6 of the Act as applied mutatis mutandis pursuant to Article 60-14, paragraph (2) of the Act; hereinafter the same applies in this Article);
  - (iii) the last day of the business year related to the other documents, etc.; and
  - (iv) the reasons for requiring the approval for the submission of the other documents, etc.
- (2) The following documents must be attached to the written application referred to in the preceding paragraph:
- (i) the articles of incorporation or alternative documents;
  - (ii) a document certifying that the representative of the business operator authorized to conduct electronic over-the-counter derivatives transactions, etc. stated in the written application for approval is a person that has

- legitimate authority to submit the written application for approval; and
- (iii) a legal opinion letter by a law expert on the fact that the matters related to laws and regulations or practices stated in the written application for approval are true and accurate, and a copy of the relevant provisions of the related laws and regulations set forth in the legal opinion letter.
- (3) If the application for approval referred to in paragraph (1) has been filed, and it is found the business operator authorized to conduct electronic over-the-counter derivatives transactions, etc. is unable to submit the other document, etc. within three months after the end of the business year due to the laws and regulations or practices of their home country, the Commissioner of the Financial Services Agency is to grant an approval for the other document, etc. related to the business year that includes the day the application has been filed (if the day falls within three months from the commencement of the business year (if approval has been granted for the submission of the other document, etc. related to the immediately preceding business year, within that approved period), the business year immediately preceding the business year) through the business year immediately preceding the business year that includes the day when the reason specified in item (iv) of that paragraph related to the application filed ceases to exist or changes.
- (4) The approval referred to in the preceding paragraph is to be granted on the condition that the business operator authorized to conduct electronic over-the-counter derivatives transactions, etc. referred to in that paragraph submits to the Commissioner of the Financial Services Agency or the competent Director-General of a Local Finance Bureau documents stating the following matters within three months after the end of each business year; provided, however, that if the content of the matters set forth in item (ii) is the same as the content of the matters that have been stated in the document submitted within five years before the submission of the document, the entry of those matters may be omitted:
- (i) the fact that the reasons for the application for approval have not ceased to exist or changed in the relevant business year; and
- (ii) a legal opinion letter by a legal expert on the matters set forth in the preceding item, and a copy of the relevant provisions of the related laws and regulations set forth in the legal opinion letter.

(Report on Status of Business or Property)

Article 232-14 (1) The provisions of Article 173 (excluding item (ii)) apply *mutatis mutandis* to a report on the status of business of conducting electronic over-the-counter derivatives transactions, etc. or property of a business operator authorized to conduct electronic over-the-counter derivatives transactions, etc. provided for in Article 46-3, paragraph (2) of the Act as

applied mutatis mutandis pursuant to Article 60-6 of the Act as applied mutatis mutandis pursuant to Article 60-14, paragraph (2) of the Act. In such a case, the term "Commissioner of the Financial Services Agency or the competent Director-General of a Local Finance Bureau" in Article 173 is deemed to be replaced with "Commissioner of the Financial Services Agency".

- (2) The provisions of Article 194, paragraph (1) apply mutatis mutandis to the document concerning the financial calculation specified in Article 49-3, paragraph (1) of the Act as applied mutatis mutandis pursuant to Article 60-6 of the Act as applied mutatis mutandis pursuant to Article 60-14, paragraph (2) of the Act, and the provisions of Article 194, paragraph (2) apply mutatis mutandis to the document stating the outline of the business provided for in Article 49-3, paragraph (1) of the Act as applied mutatis mutandis pursuant to Article 60-6 of the Act as applied mutatis mutandis pursuant to Article 60-14, paragraph (2) of the Act. In such a case, the term "Article 49-3, paragraph (1) of the Act" in Article 194, paragraphs (1) and (2) is deemed to be replaced with "Article 49-3, paragraph (1) of the Act as applied mutatis mutandis pursuant to Article 60-6 of the Act as applied mutatis mutandis pursuant to Article 60-14, paragraph (2) of the Act", and the term "as applied pursuant to Article 49, paragraph (1) of the Act following the deemed replacement of terms" in those paragraphs is deemed to be replaced with "as applied mutatis mutandis pursuant to Article 60-6 of the Act as applied mutatis mutandis pursuant to Article 60-14, paragraph (2) of the Act".

(Public Notice of Revocation of Permission)

Article 232-15 The public notice under the provisions of Article 60-8, paragraph (3) of the Act as applied mutatis mutandis pursuant to Article 60-14, paragraph (2) of the Act is to be given in an Official Gazette.

(Prohibited Acts Concerning Business of Conducting Electronic Over-the-Counter Derivatives Transactions)

Article 232-16 The acts specified by Cabinet Office Order as prescribed in Article 38, item (ix) of the Act as applied mutatis mutandis pursuant to Article 60-13 of the Act as applied mutatis mutandis pursuant to Article 60-14, paragraph (2) of the Act are as follows:

- (i) an act to conduct the specified over-the-counter derivatives transactions, etc. on the customer's account, without the customer's prior consent;
- (ii) an act of soliciting unspecified and many customers to make specified over-the-counter derivatives transactions, etc. of a specified and small number of issues simultaneously and in an excessively aggressive manner continuously over a certain period, which is likely to hinder the formation of a fair price; and

- (iii) an act of soliciting unspecified and many customers to make specified over-the-counter derivatives transactions, etc. simultaneously and in an excessively aggressive manner continuously over a certain period, for the purpose of taking advantage of fluctuations in prices, indexes, figures, or the amount of the consideration, based on a customer's transaction to gain their own profit or profit of the customer other than that customer.

(Circumstances in Which Status of the Operation of Business Is Likely to Be Contrary to Public Interest or Hinder the Protection of Investors)

Article 232-17 The circumstances specified by Cabinet Office Order as prescribed in Article 40, item (ii) of the Act as applied mutatis mutandis pursuant to Article 60-13 of the Act as applied mutatis mutandis pursuant to Article 60-14, paragraph (2) of the Act are as follows:

- (i) circumstances in which it is found that the business operator authorized to conduct electronic over-the-counter derivatives transactions, etc. has not properly notified the customer of the information on the delivery status and other information necessary for the customers concerning the customer's specified over-the-counter derivatives transactions, etc.;
- (ii) circumstances in which it is found that the management of the electronic data processing system used for the business of conducting electronic over-the-counter derivatives transactions, etc. is insufficient; and
- (iii) if the business operator authorized to conduct electronic over-the-counter derivatives transactions, etc. conducts their business by using a computer connected via telecommunications line, circumstances in which it is found that the business operator has not taken appropriate measures for preventing the customer from confusing the business operator authorized to conduct electronic over-the-counter derivatives transactions, etc. with another person.

#### **Subsection 5 Establishment of Facilities for Collecting Information**

Article 233 (1) The persons who conduct business that are closely related to a securities-related business specified by Cabinet Office Order as prescribed in Article 62, paragraph (1) of the Act are as follows:

- (i) a person that conducts an act set forth in Article 2, paragraph (8), item (vii) or (xvii) of the Act on a regular basis in a foreign country in accordance with foreign laws and regulations;
- (ii) a person that conducts an act set forth in Article 2, paragraph (8) item (xvi) of the Act (excluding the act of accepting a deposit of money from customers in connection with the acts set forth in items (i) through (x) of that paragraph they conduct (excluding the acts that fall under the items of

- Article 28, paragraph (8) of the Act)) or an act set forth in Article 1-12, item (ii) of the Order, on a regular basis in a foreign country in accordance with foreign laws and regulations; and
- (iii) a person that conducts the same type of business as that conducted by a trust company in a foreign country in accordance with foreign laws and regulations.
- (2) The matters specified by Cabinet Office Order as prescribed in Article 62, paragraph (1) of the Act are as follows (if a foreign securities service provider is an individual, excluding the matters set forth in items (iv) and (v)):
- (i) the trade name or name;
  - (ii) the location of the head office or principal office;
  - (iii) the content of business;
  - (iv) the amount of the stated capital or the total amount of contribution;
  - (v) the title and name of the officer that has the authority as representative;
  - (vi) the following matters concerning facilities intended to be established in Japan:
    - (a) the name;
    - (b) the name the representative and their domicile in Japan;
    - (c) the reasons for establishment;
    - (d) the number of employees; and
    - (e) the scheduled date of establishment.

## **Section 6 Special Provisions on Specially-Permitted Business for Qualified Institutional Investors**

(Counterparties to Specially-Permitted Business for Qualified Institutional Investors)

Article 233-2 (1) The persons specified by Cabinet Office Order as those having a close relationship with the person set forth in the preceding item as prescribed in Article 17-12, paragraph (1), item (vi) of the Order are as follows:

- (i) an officer or employee of the person set forth in the preceding item (hereinafter the person is referred to as "fund assets investment manager" in this paragraph, Article 234-2, paragraph (1), item (ii), and paragraph (2), item (ii));
- (ii) a parent company, etc. or a subsidiary company, etc. of the fund assets investment manager, or a subsidiary company, etc. of the parent company, etc.;
- (iii) a person that has been entrusted with all or part of the authority related to investment of a certain fund asset (meaning money and other property that is invested or paid by a person that has equity in the business subject to investment related to specially-permitted business for qualified institutional

- investors, etc.; the same applies in the following item) made by the fund assets investment manager;
- (iv) a person that has concluded a contract with the fund assets investment manager in which the person promises to provide the fund assets investment manager with oral advice, written advice (excluding newspapers, magazines, books, or other documents that are issued for the purpose of selling to many and unspecified persons and that are possible for many and unspecified persons to buy at all times), or other form of advice on investment decisions based on the value, etc. of the subject of transactions to be conducted by the fund assets investment manager as investment of one single fund asset (hereinafter referred to as the "transaction asset" in this item) (meaning the value of transaction asset, the amount of consideration for the options, or the trend of index related to transaction asset; hereinafter the same applies in this item) or based on the analysis of the value, etc. (meaning decisions on the type, quantity, and price of those that are subject of investment, and whether the transaction is purchase or sale, the method, and timing of decisions, or decisions on the content and timing of transactions required to be conducted), and the fund assets investment manager promises to pay remuneration for that, or a person that has concluded a contract with the person in question in which the person in question promises to provide the person with advice on the investment decisions by that method, and the person in question promises to pay remuneration for that;
  - (v) an officer or employee of the persons set forth in the preceding three items; and
  - (vi) a relative (limited to the spouse and a relative by blood or affinity within the third degree of kinship) of the fund assets investment manager (limited to one that is an individual), or of the persons set forth in item (i) and the preceding three items.
- (2) the requirement specified by Cabinet Office Order as prescribed in Article 17-12, paragraph (1), item (xii) of the Order is that the total amount of assets held (limited to the assets set forth in Article 62, item (ii), sub-items (a) through (g); the same applies in item (i), sub-item (a) and item (ii) of the following paragraph, and paragraph (4), items (ii) through (iv)) is expected to be 10 billion yen or more, judging reasonably from the status of transactions or other circumstances.
- (3) The requirement specified by Cabinet Office Order as prescribed in Article 17-12, paragraph (1), item (xiv) of the Order is to fall under either of the following items:
- (i) it is an individual that fulfills all of the following requirements:
    - (a) judging reasonably from the status of the transactions or other circumstances, the total amount of the assets held by the individual is



- expected to be 100 million yen or more; and
- (b) one year has passed from the day when the individual opened an account with a financial instruments business operator, etc. (including a person that is equivalent to them under foreign laws and regulations) for securities transactions or derivatives transactions;
- (ii) it is an individual that is an operating partner, etc. (meaning a partner that has concluded a partnership contract and has been entrusted the execution of operations of the partnership, a proprietor of a business that has concluded a silent partnership agreement or a partner that has concluded a limited liability partnership agreement and is involved in the decision-making on the execution of important business of the partnership, and, that personally executes the business, or a person that is similar to them under foreign laws and regulations; hereinafter the same applies in this item and item (iv), sub-item (b) of the following paragraph), and the total amount of assets held by the individual as an operating partner, etc. is expected to be 100 million yen or more for the business subject to investment related to the partnership contract, silent partnership agreement, or limited liability partnership agreement, or an agreement similar to them based on foreign laws and regulations, judging reasonably from the status of the transactions or other circumstances (limited to cases in which the individual conducts transactions as an operating partner, etc.).
- (4) The person specified by Cabinet Office Order as prescribed in Article 17-12, paragraph (1), item (xv) of the Order is the person that falls under any of the following items:
- (i) a public interest incorporated association for which one-fourth or more of the total number of voting rights at its general meeting of members is held by the national or local government, or a public interest incorporated foundation for which one-fourth or more of the amount of contribution is made by the national or local government, and whose business for public interest purposes (meaning a business for public interest purposes as defined in Article 2, item (iv) of the Act on Authorization of Public Interest Incorporated Associations and Public Interest Incorporated Foundations (Act No. 49 of 2006) is the business concerning regional revitalization or industrial promotion;
- (ii) a surviving employee's pension fund whose total amount of assets held is expected to be 10 billion yen or more, judging reasonably from the status of transactions and other circumstances (limited to the fund that has developed a structure for the management and investment of pension benefit funds provided for in Article 136-3, paragraph (4) of the former Employees' Pension Insurance Act and has given a notification under the provisions of Article 176, paragraph (2) of the former Employees' Pension Insurance Act which is

- to remain in force pursuant to the provisions of Article 5, paragraph (1) of the Supplementary Provisions of the 2013 Employees' Pension Amendment Act);
- (iii) a person that is equivalent to a corporate pension fund or a person set forth in the preceding item under foreign laws and regulations, and judging reasonably from the status of the transactions or other circumstances, whose total amount of assets held is expected to be 10 billion yen or more; and
  - (iv) a corporation that satisfies any of the following requirements:
    - (a) judging reasonably from the status of the transactions or other circumstances, the total amount of the assets held by the corporation is expected to be 100 million yen or more; and
    - (b) the corporation is an operating partner, etc., and the total amount of assets held as an operating partner, etc. for the business subject to investment related to the partnership contract, silent partnership agreement or limited liability partnership agreement, or an agreement based on foreign laws and regulations that is similar to them is expected to be 100 million yen or more, judging reasonably from the status of the transactions or other circumstances (limited to cases in which the individual conducts transactions as an operating partner, etc.);
  - (v) a subsidiary company, etc. or affiliated company, etc. of the following persons (meaning an affiliated company, etc. prescribed in Article 15-16, paragraph (4); the same applies in items (xi) and (xii) of the following Article);
    - (a) a corporation that is a financial instruments business operator, etc.;
    - (b) a company that is an issuer of share certificates listed on a financial instruments and exchange;
    - (c) a corporation whose amount of stated capital is 50 million yen or more; and
    - (d) a corporation whose amount of net assets (meaning the amount arrived at by deducting the amount of liabilities from of the amount of assets on the balance sheet; the same applies in item (ii) of the following Article) is 50 million yen or more;
  - (vi) a company whose proportion of the sum of the amounts specified in the following sub-items (b) and (c) to the amount set forth in the following sub-item (a) on a single day is expected to be 70 percent or more, judging reasonably from the status of transactions and other circumstances, which holds or invests its assets on behalf of its representative (limited to a person that falls under the person set forth in Article 17-12, paragraph (1), item (xiv) of the Order; hereinafter the same applies in this Article):
    - (a) the total book value of the company's assets on that single day;
    - (b) the sum of the book value of the following assets (referred to as "specified

- asset" in item (viii)) on that single day
1. securities that are not shares or equity interests of the special subsidiary company of that company;
  2. real property that the company itself is not currently using (if the company is not currently using a part of the real property, limited to that part);
  3. rights concerning the use of golf courses or other facilities (excluding the rights held for the purpose of using them for the business of the company);
  4. paintings, sculptures, crafts, and other movables, which are tangible cultural artifacts, precious metals, and jewels (excluding the rights held for the purpose of using them for the business of the company); and
  5. cash and deposits at domestic financial institutions and other assets similar to them;
- (c) among the amount of dividend of surplus, etc. (meaning dividend of surplus related to shares or equity interests, or distribution of profits) and the amount of salary (including profits resulting from release of debts and other economic benefits) paid to the representative of the company and connected parties of the representative during the period of five years before that single day, the amount that are not to be included in the deductible expenses in the calculation of the amount of income for each business year of the company pursuant to the provisions of Articles 34 and 36 of the Corporation Tax Act (Act No. 34 of 1965);
- (vii) an issuer of the equity in the foreign business subject to investment (limited to the cases in which the holder of the rights is a qualified institutional investor, an issuer of equity in business subject to investment, the persons set forth in Article 17-12, paragraph (1), items (i) through (xiv) of the Order, or the persons set forth in the preceding items or the following item); and
- (viii) a company for which the proportion of the total amount of investment income for the specified assets to the gross income for a single business year is expected to be 75 percent or more, judging reasonably from the status of transactions and other circumstances, and which holds or invests its assets for the persons set forth in the preceding items.
- (5) The term "special subsidiary company" as used in item (vi), sub-item (b), 1. of the preceding paragraph means the other company that does not fall under any of the following requirements among the other companies in the cases in which the company, and the representative and connected parties of the representative, hold voting rights exceeding 50 percent of the voting rights held by all shareholders, etc. of the other company;

- (i) judging reasonably from the status of transactions and other circumstances, the proportion of the sum of the book value of the securities (excluding the shares or equity interests in the other company, if the other company, and its representative and the connected parties of the representative, hold voting rights exceeding 50 percent of the voting rights held by all shareholders, etc. of the other company (including a foreign company)) and the assets set forth in item (vi), sub-item (b), 2. through 5. (referred to as "special specific asset" in the following item) to the total book value of the assets is expected to be 70 percent or more;
  - (ii) judging reasonably from the status of transactions and other circumstances, the proportion of the sum of the investment income for the special specified asset to the gross income for the business year immediately preceding the business year including the single day is expected to be 75 percent or more.
- (6) The term "connected party" as used in paragraph (4), item (vi), sub-item (c) and the preceding paragraph means the following persons among the relevant persons of the representative of the company (including a person that was formerly the representative of the company; hereinafter the same applies in this paragraph):
- (i) a relative of the representative;
  - (ii) a person that has not submitted a notification of marriage with the representative but is in a situation similar to a de-facto marital relationship with the representative;
  - (iii) an employee of the representative;
  - (iv) a person other than the persons set forth in the preceding three items who makes a living by money received from the representative or other assets;
  - (v) a person that shares the same livelihood with the persons set forth in the preceding three items, who is a relative of those persons; and
  - (vi) a company specified in the following sub-items:
    - (a) the company when the representative, etc. (meaning the representative and the persons related to the representative who are set forth in the preceding items; the same applies in (b) and (c)) holds voting rights exceeding 50 percent of the voting rights held by all shareholders, etc. of the company;
    - (b) the other company when the representative, etc. and a company that is in a relationship referred to in sub-item (a) with the representative, etc. has voting rights exceeding 50 percent of the voting rights held by all shareholders, etc. of the other company; and
    - (c) the other company when the representative, etc. and a company that is in a relationship referred to in sub-item (a) or (b) with the representative, etc. has voting rights exceeding 50 percent of the voting rights held by all shareholders, etc. of the other company.

(Persons Having Knowledge of and Experience in Matters Concerning Investment)

Article 233-3 The person specified by Cabinet Office Order as prescribed in Article 17-12, paragraph (2) of the Order is a person that falls under any of the following items at the time when the person becomes the counterparty to private placement or handling of private placement related to the equity in the business subject to investment that the person acquires:

- (i) an officer of a company that is an issuer of share certificates listed on a financial instruments and exchange;
- (ii) an officer of a corporation whose amount of stated capital or amount of net assets is 50 million yen or more, which has submitted an annual securities report (meaning an annual securities report provided for in that paragraph; the same applies in item (ix)) pursuant to the provisions of Article 24, paragraph (1) of the Act;
- (iii) an officer of a corporation that falls under the requirements set forth in paragraph (4), item (iv), sub-item (b) of the preceding Article;
- (iv) a person that had fallen under any of the requirements set forth in the preceding three items within five years before the day when the person has become the counterparty to the private placement or handling of private placement;
- (v) a person that had acquired an equity in business subject to investment issued by the same issuer as the equity in the business subject to investment as a person that falls under the preceding item or this item, within five years before the day when the person has become the counterparty to the private placement or handling of private placement;
- (vi) a person that was the corporation satisfying the requirement set forth in paragraph (4), item (iv), sub-item (b) of the preceding Article within five years before the day when the person has become the counterparty to the private placement or handling of private placement;
- (vii) a person who has promised to provide the company with advice about any of the following business with an officer or worker of a company (limited to a person that has engaged in the business using highly specialized ability in particular that is indispensable to the continuation of the business) or with the company, and the period found to be a period that the person engaged in the business as a person that has concluded a contract with the company promising that the company is to pay remuneration for the advice was at least one year in total, and the period from the last day on which the person engaged in the business to the day on which the person has become the counterparty to the private placement or handling of private placement is five years or less:

- (a) business concerning implementation of incorporation of a company, solicitation of persons to subscribe for shares for subscription or share options for subscription, or new business activity (meaning a different type of business from that currently conducted by a company, which is development or production of new products, development or provision of new services, introduction of a new method of producing or selling products, introduction of a new method of providing services, or research and development concerning technology, and the use of their results, or other new business activities);
- (b) business relating to merger, company split, share exchange, share transfer, partial share exchange, acquisition or transfer of business, or acquisition of share or equity in other companies;
- (c) business relating to listing of issued shares on a financial instruments exchange;
- (d) business relating to the creation of a company's management strategies, creation of a balance sheet or profit and loss statement, or management of shareholders meeting or board of directors meeting;
- (viii) a person stated as one of the top fifty shareholders in descending order for the number of shares held in the securities registration statement (limited to one submitted by a company seeking to list its issued shares on a financial instruments exchange) submitted within five years before the day when the person has become the counterparty to the private placement or handling of private placement;
- (ix) a person stated as one of the top ten shareholders in descending order for the number of shares held in the securities registration statement (excluding one provided for in the preceding item) or the annual securities report submitted within five years before the day when the person has become the counterparty to the private placement or handling of private placement;
- (x) a certified business innovation assisting organization (meaning a certified business innovation assisting organization provided for in Article 31, paragraph (2) of the Small and Medium-Sized Enterprises Business Enhancement Act (Act No. 18 of 1999));
- (xi) a company, partnership, or other similar business entities which fall under any of the following entities (including entities equivalent to them in a foreign country; hereinafter referred to as "company, etc." in this item and the following item) related to an individual that falls under any of the preceding items (excluding item (vi)):
  - (a) a company, etc. for which the individual holds voting rights exceeding 50 percent of the voting rights held by all shareholders, etc. (including a subsidiary company, etc. and an affiliated company, etc. of the company, etc.);

- (b) a company, etc. for which the individual holds 20 percent or more of the voting rights and 50 percent or less of the voting rights held by all shareholders, etc.; and
- (xii) a subsidiary company, etc. or an affiliated company, etc. of the company, etc., which falls under any of items (i) through (x).

(Requirements for Conducting Specially-Permitted Business for Qualified Institutional Investors With Persons with Knowledge of and Experience in Matters Concerning Investment as Counterparty)

- Article 233-4 (1) The amount specified by Cabinet Office Order as prescribed in Article 17-12, paragraph (2), item (i), sub-item (a) of the Order is the sum of cash and bank deposits or postal savings.
- (2) The securities specified by Cabinet Office Order as prescribed in Article 17-12, paragraph (2), item (i), sub-item (a) of the Order are as follows:
- (i) share certificates, share option certificates, and corporate bond certificates with share options; and
  - (ii) instruments or certificates issued by a foreign person which have the nature of the securities set forth in the preceding item.
- (3) The securities specified by Cabinet Office Order as prescribed in Article 17-12, paragraph (2), item (i), sub-item (a) of the Order are the securities when the persons set forth in the following items have issued the securities specified in those items at the time of investing in the securities;
- (i) issuer of the securities: the following securities that are listed on a financial instruments exchange or foreign financial instruments exchange market, or that are registered in the register of over-the-counter traded securities (meaning the register of over-the-counter traded securities referred to in Article 67-11, paragraph (1) of the Act; hereinafter the same applies in this paragraph):
    - (a) share certificates, share option certificates, and corporate bond certificates with share options;
    - (b) instruments or certificates issued by a foreign person which have the nature of the securities set forth in sub-item (a);
  - (ii) a parent company, etc. of the issuer of the securities (limited to a large company as defined in Article 2, item (vi) of the Companies Act): securities set forth in sub-item (a) or (b) of the preceding item which are listed on a financial instruments exchange or foreign financial instruments exchange market, or are registered in the register of over-the-counter traded securities; and
  - (iii) a subsidiary company, etc. of the issuer of the securities: securities set forth in item (i), sub-item (a) or (b) which are listed on a financial instruments exchange or foreign financial instruments exchange market, or

- which are registered in the register of over-the-counter traded securities.
- (4) The cases specified by Cabinet Office Order as prescribed in Article 17-12, paragraph (2), item (i), sub-item (b) of the Order are borrowing of funds or guarantee of obligations which falls under any of the following items, and the sum of the amount of borrowings and the amount of guarantee obligations does not exceed 15 percent of the value of money or other properties invested or paid by an investor (meaning the investor provided for in that item; the same applies in Article 239-2, paragraph (1)):
- (i) borrowing of funds for which the period until the due date does not exceed 120 days (if the period has been extended, including the extended period);
  - (ii) guarantee of obligations for which the guarantee period does not exceed 120 days (if the guarantee period has been extended, including the extended period); and
  - (iii) guarantee of obligations of an issuer of the securities set forth in the items of paragraph (2) (excluding the securities listed on a financial instruments exchange or those prescribed in the preceding paragraph at the time investment has been made) related to the business subject to investment (limited to the guarantee for which the amount of the guarantee obligation does not exceed the amount of the securities).

(The Same Type of Newly-Issued Rights)

Article 234 The other rights specified by Cabinet Office Order as being the same type of rights as the rights prescribed in Article 17-12, paragraph (4), item (ii), sub-item (b) of the Order are the rights as securities whose issuer and business subject to investment are the same as the relevant securities.

(Cases in Which Status of the Operation of Business Is Likely to Hinder the Protection of Investors)

Article 234-2 (1) The case specified by Cabinet Office Order as the case that is likely to hinder the protection of investors as prescribed in Article 63, paragraph (1), item (i) of the Act is a private placement related to the equity in the business subject to investment which satisfies any of the following requirements:

- (i) all qualified institutional investors that are to hold the rights are investment limited partnerships (meaning an investment limited partnership as defined in Article 2, paragraph (2) of the Limited Partnership Act for Investment, and excluding those for which the amount arrived at by deducting the amount of borrowings from the total amount of money or other properties to be invested for counterparties to limited partnership agreement for investment under that agreement is expected to be 500 million yen or more, judging reasonably from the status of transactions and other



- circumstances; the same applies in item (i) of the following paragraph);
- (ii) the percentage of the total amount of money or other properties invested or paid by the following persons (excluding qualified institutional investors, a person that falls under any of the items of Article 17-12, paragraph (1) of the Order (excluding item (vi)), and the officers, employees, and parent companies, etc. of fund assets investment managers) for the rights to the total amount of money or other properties invested or paid by the persons that are to hold the rights is 50 percent or more:
    - (a) a person set forth in Article 233-2, paragraph (1), items (ii) through (vi); and
    - (b) a person set forth in the items of Article 233-3.
  - (iii) when the rights are indicated on financial values, the measures specified in the following sub-item (a) or (b) have not been taken in accordance with the category of the cases set forth in the sub-item (a) or (b):
    - (a) when the acquirer responding to solicitation for acquisition of the rights (meaning the solicitation for acquisition as defined in Article 2, paragraph (3) of the Act; the same applies in sub-item (b)) falls under a qualified institutional investor (limited to an investor that does not fall under any of Article 63, paragraph (1), item (i), sub-items (a) through (c) of the Act; hereinafter the same applies in this item): technical measures to prevent transferring the financial values to persons other than qualified institutional investors; or
    - (b) when the acquirer responding to solicitation for acquisition of the rights falls under an investor subject to specially permitted services (meaning the investor subject to specially permitted services prescribed in Article 17-12, paragraph (4), item (ii) of the Order; hereinafter the same applies in sub-item (b)): technical measures to prevent transferring the financial values other than the case in which the person who has acquired or purchased the rights transfers the financial values on which the rights are indicated all at once to another qualified institutional investor or investor subject to specially permitted services.
- (2) The act specified by Cabinet Office Order as an act that may hinder the protection of investors prescribed in Article 63, paragraph (1), item (ii) of the Act is the act set forth in Article 2, paragraph (8), item (xv) of the Act concerning the investment of money or other properties invested or paid by the person that holds the right related to the equity in the business subject to investment, which falls under any of the requirements set forth in the following items:
- (i) all of the qualified institutional investors that are the holders of the right are investment limited partnerships;
  - (ii) the percentage of the total amount of money or other properties invested or

paid by the persons that are the holders of the right to the total amount of money or other properties invested or paid by the following persons (excluding qualified institutional investors, a person that falls under any of the items of Article 17-12, paragraph (1) of the Order (excluding item (vi)), and the officers, employees, and parent companies, etc. of the fund assets investment manager) against the rights is 50 percent or more:

- (a) the persons set forth in Article 233-2, paragraph (1), items (ii) through (vi); and
- (b) the persons set forth in the items of Article 233-3.

(Persons Excluded from Being Qualified Institutional Investors)

Article 235 The persons specified by Cabinet Office Order as prescribed in Article 63, paragraph (1), item (i) of the Act are as follows:

- (i) a special purpose company for which the rights indicated on the securities set forth in Article 2, paragraph (1), item (v), item (ix), or item (xv) of the Act or the securities set forth in item (xvii) of that paragraph (limited to those having the nature of the securities set forth in item (v), item (ix), or item (xv) of that paragraph) it issues, or the rights set forth in paragraph (2), item (iii) or (iv) of that Article (excluding the rights for which the delivery of property in excess of the amount of the consideration for its acquisition will not be made) have been acquired by a person other than a qualified institutional investor;
- (ii) a person that conducts the investment business, or seeks to conduct the investment business based on a contract related to the investment business for the right set forth in Article 2, paragraph (2), item (v) or (vi) of the Act or other juridical acts (limited to the case in which the rights based on the contract or other juridical acts fall under the rights set forth in item (v) or (vi) of that paragraph) with a person other than a qualified institutional investor as the other party (excluding those specified in the following), by using the money or other properties invested or contributed by that other party:
  - (a) limited partnership agreement for investment and limited liability partnership agreement (including a contract based on foreign laws and regulations similar to them; the same applies in 2.), when the sum of the following numbers is 49 or less:
    1. the number of the persons other than qualified institutional investors that hold the rights based on a contract related to the business subject to investment conducted using money or other properties invested or contributed as the investment or other juridical acts (excluding a person that conducts or seeks to conduct the investment business); and
    2. the number of the persons other than qualified institutional investors

that hold the rights based on limited partnership agreements for investment or limited liability partnership agreements related to the investment business (excluding the case in which the person that conducts or seeks to conduct the investment business is a financial instruments business operator, etc. (limited to a business operator that conducts investment management business));

- (b) a contract or other juridical acts related to the investment business, if a person that conducts or seeks to conduct the investment business and a person that conducts or seeks to conduct the business subject to investment using money or other properties invested or paid as the investment business are the same, and, the sum of the following numbers is 49 or less:
1. the number of the persons other than qualified institutional investors that hold the rights based on the contracts related to the business subject to investment or other juridical acts (excluding a person that conducts or seeks to conduct the investment business); and
  2. the number of persons other than qualified institutional investors that hold the rights based on the contracts related to the investment business or other juridical acts.

(Notification of Specially-Permitted Services for Qualified Institutional Investors)

- Article 236 (1) A person that files a notification pursuant to the provisions of Article 63, paragraph (2) of the Act must submit a written notification related to specially-permitted services for qualified institutional investors, etc. which has been prepared using the Appended Form No. 20, by attaching a copy of the written notification to a competent Director-General of a Local Finance Bureau or other competent official (meaning a Director-General of a Local Finance Bureau with jurisdiction over the locality of the head office, etc. of the person filing the notification (if the locality falls within the jurisdictional area of the Fukuoka Local Finance Branch Bureau, to its Director-General; if the person has does not have a business office or an office in Japan, to the Director-General of the Kanto Finance Bureau); the same applies in Article 238-4, paragraph (1), Article 239, paragraph (1), and Article 348, paragraph (3)).
- (2) The written notification referred to in the preceding paragraph may be prepared in English, in the same manner as the Appended Form No. 20.

(Employees of Notifier of Specially-Permitted Services)

- Article 237 (1) The person specified by Cabinet Office Order as prescribed in Article 17-13, item (i) of the Order is a person that is in a position in which the person may be delegated the authority of a person that supervises the business prescribed in that item, such as the head of department, the deputy head of

department, the section head, or other persons irrespective of the title.

- (2) The persons specified by Cabinet Office Order as prescribed in Article 17-13, item (ii) of the Order are persons that make investment decisions based on analysis of the values, etc. of financial instruments.

(Matters to Be Notified Concerning Specially-Permitted Services for Qualified Institutional Investors)

Article 238 The matters specified by Cabinet Office Order as prescribed in Article 63, paragraph (2), item (ix) of the Act are the following matters:

- (i) the telephone number of the principal business office or office and the business office or office for conducting specially-permitted business for qualified institutional investors, etc., as well as the website URL of the notifying person;
- (ii) when conducting business related to the act set forth in Article 63, paragraph (1), item (i) of the Act, the following matters:
  - (a) the name and type of the equity in the business subject to investment related to the business (meaning the type of equity in business subject to investment and if the equity in business subject to investment is an electronically recorded transferable right, or any of the rights prescribed in Article 1-12, item (ii) of the Order, including that fact; the same applies in sub-item (b) of the following item);
  - (b) the content of the business subject to investment related to the business;
  - (c) the trade name, name, type (meaning the type referred to in the items of Article 10, paragraph (1) of the Cabinet Office Order on Definitions under Article 2 of the Financial Instruments and Exchange Act; the same applies in sub-item (c) of the following item), and number of the qualified institutional investor that acquires the equity in the business subject to investment related to the business;
  - (d) when making a private placement of equity interests in the business subject to investment related to the business for a person other than qualified institutional investors, that fact;
  - (e) when making a private placement of equity interests in the business subject to investment related to the business with a person set forth in the items of Article 233-3 as the other party, that fact; and
  - (f) for the case provided for in sub-item (e), the name of the certified public accountant or audit corporation (including persons having the qualifications equivalent to those qualifications in a foreign country; the same applies in sub-item (f) of the following item and item (viii) of that paragraph) that conducts an audit of the balance sheet and profit and loss statement for the business subject to investment related to the business or an alternative document (referred to as "financial statements, etc." in sub-

- item (f) of the following item and Article 239-2, paragraph (1), items (viii) and (ix));
- (iii) when conducting business related to the act set forth in Article 63, paragraph (1), item (ii) of the Act, the following matters:
- (a) the name and type of the equity in the business subject to investment related to the business;
  - (b) the content of the business subject to investment related to the business;
  - (c) the trade name or name, type, and number of the qualified institutional investor that holds the equity in the business subject to investment related to the business;
  - (d) if a person other than qualified institutional investors holds equity interests in the business subject to investment related to the business, that fact;
  - (e) if a person set forth in the items of Article 233-3 holds equity interests in the business subject to investment related to the business, that fact; and
  - (f) for the case provided for in sub-item (e), the name of the certified public account or audit corporation that conducts the audit of the financial statements, etc. of the business subject to investment related to the business;
- (iv) for a foreign corporation, the location or domicile and telephone number of the representative in Japan; and
- (v) for an individual that has an domicile in a foreign country, the name, trade name, location, or domicile, and telephone number of the agent in Japan.

(Documents to Be Attached to Written Notification of Specially-Permitted Services for Qualified Institutional Investors)

Article 238-2 (1) The documents specified by Cabinet Office Order as prescribed in Article 63, paragraph (3), item (iii) of the Act are the following documents; provided, however, that if there are compelling reasons, it is sufficient for the documents specified in item (iii) or (iv) to be submitted without delay after the submission of the written notification under the provisions of paragraph (2) of that Article:

- (i) if the applicant is a corporation, the following documents:
  - (a) the resume of the officer and important employee (meaning an employee provided for in Article 17-13 of the Order; hereinafter the same applies in this Section) (if the officer is a corporation, a document stating the background of the officer);
  - (b) extracts of the resident records of the officers and important employees (if an officer is a corporation, the certificate of registered information of the officer), or alternative documents;
  - (c) if the former surname and given name of the officer or important

- employee are stated together with the name of the officer or important employee in a written notification referred to in Article 63, paragraph (2) of the Act, and the document set forth in sub-item (b) is not a document certifying the former surname and given name of the officer or important employee, a document certifying the former surname and given name;
- (d) a certificate issued by a public agency certifying that the officers and important employees do not fall under Article 29-4, paragraph (1), item (ii), sub-item (b) of the Act, or alternative documents; and
  - (e) a document with which the officer and important employee pledge that they do not fall under Article 29-4, paragraph (1), item (ii), sub-item (a), or sub-items (c) through (i) of the Act and that they are not members, etc. of an organized crime group (meaning the members, etc. of an organized crime group provided for in Article 63, paragraph (7), item (i), sub-item (c) of the Act; the same applies hereinafter); and
- (ii) if the person is an individual, the following documents:
- (a) the resume of the notifying person and important employees;
  - (b) extracts of the resident records of the notifier and important employees (if the notifying person is an individual that has an domicile in a foreign country, including the agent in Japan; the same applies in sub-item (c)), or alternative documents;
  - (c) if the former surname and given name of the notifier or important employee are stated together with the notifying person's name or the important employee's name in a written notification referred to in Article 63, paragraph (2) of the Act, and the document set forth in sub-item (b) is not a document certifying the notifying person's former surname and given name or the important employee's former surname and given name, a document certifying the former surname and given name;
  - (d) the certificates issued by a public agency certifying that the notifier and important employee fall under Article 29-4, paragraph (1), item (ii), sub-item (b) of the Act, or alternative documents; and
  - (e) a document with which the important employee pledges that they do not fall under Article 29-4, paragraph (1), item (ii), sub-item (a), or sub-items (c) through (i) of the Act and that they are not a member, etc. of an organized crime group;
- (iii) if the person conducts business related to the acts set forth in Article 63, paragraph (1), item (i) of the Act, the following documents:
- (a) if all of the qualified institutional investors that are to hold the equity in the business subject to investment related to the act are investment limited partnerships (meaning an investment limited partnership as defined in Article 2, paragraph (2) of the Limited Partnership Act for Investment; the same applies hereinafter), a document certifying the

following matters:

1. the total amount of money or other properties to be invested for the counterparty to the limited partnership agreement for investment based on the agreement; and
  2. the amount of borrowings by the qualified institutional investor
- (b) a document certifying the following matters:
1. the total amount of money or other properties invested or paid by persons that are to hold the equity in the business subject to investment related to the act;
  2. the total amount of money or other properties invested or paid by persons to hold the equity in the business subject to investment related to the act, who are specified in Article 134-2, paragraph (1), item (ii);
- (iv) if the notifier conducts the business related to the acts specified in Article 63, paragraph (1), item (ii) of the Act, the following documents:
- (a) if all of the qualified institutional investors holding the equity in the business subject to investment related to the act are investment limited partnerships, a document certifying the following matters:
1. the total amount of money or other properties to be invested for the counterparty to the limited partnership agreement for investment based on the agreement; and
  2. the amount of borrowings of the qualified institutional investor;
- (b) a document certifying the following matters:
1. the total amount of money or any other property invested or paid by a holder of the equity in the business subject to investment related to the act; and
  2. the total amount of money or any other property to be invested or paid by a holder of the equity in the business subject to investment related to the act set forth in Article 234-2, paragraph (2), item (ii).
- (2) The documents set forth in the items of the preceding paragraph may be prepared in English.

(Electronic or Magnetic Record)

Article 238-3 (1) The electronic or magnetic records specified by Cabinet Office Order as prescribed in Article 63, paragraph (4) of the Act are to fall under any of the following structures:

- (i) a 90mm flexible magnetic disc cartridge that complies with JIS X6223;
  - (ii) a 120mm optical disc that complies with JIS X0606 and X6282.
- (2) Record in the electronic or magnetic record referred to in the preceding paragraph must be made in accordance with the following methods:
- (i) for track formats, the method specified in JIS X6225; and
  - (ii) for volume and file composition, the method specified in JIS X0605.

- (3) The following matters must be stated for the electronic or magnetic record referred to in paragraph (1):
- (i) the trade name or name of the notifier; and
  - (ii) the date of the notification.

(Public Inspection of Notified Matters Concerning Specially-Permitted Services for Qualified Institutional Investors by the Commissioner of the Financial Services Agency or Other Officials)

Article 238-4 (1) The Commissioner of the Financial Services Agency, the competent Director-General of a Local Finance Bureau, etc. for the notification of specially-permitted services, or the competent Director-General of a Local Finance Bureau, etc. is to keep the record of the matters stated in the Appended Form 20-2 related to the notifier of specially-permitted services or financial instruments business operator, etc. (meaning a person who has given a notification under the provisions of Article 63-3, paragraph (1) of the Act, and excluding a person who has given a notification under the provisions of Article 63-2, paragraph (3) of the Act on the fact of falling under Article 63-2, paragraph (3), item (ii) of the Act as applied *mutatis mutandis* pursuant to Article 63-3, paragraph (2) of the Act; hereinafter the same applies in this Section, excluding Article 244, paragraph (1)) at the Financial Services Agency or the local finance bureau with jurisdiction over the locality of the head office, etc. of the notifier of specially-permitted services or financial instruments business operator, etc. (if the locality falls within the jurisdictional district of the Fukuoka Local Finance Branch Bureau, the Director-General of the Fukuoka Local Finance Branch Bureau; or if the business operator has no business office or office in Japan, the Director-General of the Kanto Finance Bureau) and make the record of matters available for public inspection or publicize them by using the internet or by other means.

- (2) The matters specified by Cabinet Office Order as prescribed in Article 63, paragraph (5) of the Act (including as applied *mutandis* pursuant to Article 63-3, paragraph (2) of the Act) are the matters stated in the Appended Form 20-2.

(Public Inspection of Notified Matters Concerning Specially-Permitted Services for Qualified Institutional Investors by Persons Notifying of Specially-Permitted Services or Financial Instruments Business Operators)

Article 238-5 (1) Pursuant to the provisions of Article 63, paragraph (6) of the Act (including as applied *mutatis mutandis* pursuant to Article 63-3, paragraph (2) of the Act; the same applies in the following paragraph), a notifier of specially-permitted services or financial instruments business operator, etc. is to keep the copy of a document prepared using Appended Form 20-2 at their principal business office or office or all business offices or offices



for conducting specially-permitted services for qualified institutional investors, etc. and make the document available for public inspection, or publicize them by using the internet or by other means to enable easy access for investors at all times.

- (2) The matters specified by Cabinet Office Order as prescribed in Article 63, paragraph (6) of the Act are the matters stated in the Appended Form 20-2.
- (3) The document under paragraph (1) may be prepared in English in the same manner as the Appended Form 20-2.

(Notification of Change of Matters Related to Specially-Permitted Services for Qualified Institutional Investors That Have Been Notified)

Article 239 (1) A notifier of specially-permitted services that files a notification pursuant to the provisions of Article 63, paragraph (8) of the Act must submit a written notification stating the content of the change, the date of the change, and the reasons for the change, by attaching a document stating the changed content which is prepared by using the Appended Form No. 20 and a copy of that document, to the competent Director-General of a Local Finance Bureau or other competent official for specially-permitted business (meaning the Commissioner of the Financial Services Agency, for a notifier of specially-permitted services designated by the Commissioner of the Financial Services Agency pursuant to the provisions of Article 42, paragraph (2) of the Order or the competent Director-General of a Local Finance Bureau or other competent official for specially-permitted services, for any other notifier of specially-permitted services; the same applies hereinafter).

- (2) The documents specified in the following paragraph in accordance with the category of cases set forth in each of those items are to be attached to the written notification referred to in the preceding paragraph; provided, however, that if there are compelling reasons, it is sufficient to submit the documents without delay after the submission of the written notification:
  - (i) if there is any change to the matters set forth in Article 63, paragraph (2), item (i) of the Act: the following documents:
    - (a) a certificate of registered information stating the changed information (for an individual, an extract of the resident record) or alternative documents; and
    - (b) if the former surname and given name are stated together with the current name in a document stating the changed content which is prepared using the Appended Form 20, and the document set forth in sub-item (a) is not a document certifying the former surname and given name, a document certifying the former surname and given name;
  - (ii) if there is any change to the matters set forth in Article 63, paragraph (2), item (ii) or (vi) of the Act: the certificate of registered information stating the

- matters related to the change or alternative documents;
- (iii) if there is any change to the matters set forth in Article 63, paragraph (2), item (iii) or (iv) of the Act: the following documents:
    - (a) if there is a change of officers, a certificate of the registered information stating the changed matter, or alternative documents;
    - (b) the following documents concerning the person that has newly become an officer or important employee:
      - 1. the resume (if the officer is a corporation, a document stating the background of the officer);
      - 2. an extract of the resident record (if an officers is a corporation, the certificate of registered information of the officer), or alternative documents;
      - 3. if the former surname and given name are stated together with the current name in a document stating the changed content which is prepared using the Appended Form 20 and the document set forth in 2. is not a document certifying the former surname and given name, a document certifying the former surname and given name;
      - 4. the certificates issued by a public agency certifying that the officer does not fall under Article 29-4, paragraph (1), item (ii), sub-item (b) of the Act, or alternative documents;
      - 5. a document with which the officer or important employees pledge that they do not fall under any of Article 29-4, paragraph (1), item (ii), sub-items (a) or (c) through (i) of the Act and is not a member, etc. of an organized crime group;
      - 6. when the notifier of specially-permitted services is a corporation, a document with which the they pledge that the corporation does not fall under Article 63, paragraph (7), item (i), sub-item (b) of the Act (limited to the part related to Article 29-4, paragraph (1), item (ii), sub-item (a) of the Act); and
      - 7. when the notifier of specially-permitted services is an individual, a document pledging that the individual does not fall under Article 63, paragraph (7), item (i), sub-item (b) of the Act (limited to the part related to Article 29-4, paragraph (1), item (ii), sub-item (a) of the Act); and
  - (iv) if there is any change to the matters set forth in Article 238, item (v): the following document concerning the person that has newly assumed the position of the agent in Japan:
    - (a) an extract of the resident record or alternative documents; and
    - (b) if the former surname and given name are stated together with the current name in a document stating the changed content which is prepared by using the Appended Form No. 20 and the document set forth in sub-item

- (a) is not a document certifying the former surname and given name, a document certifying the former surname and given name;
- (3) The written notification referred to in paragraph (1) and the documents set forth in the items of the preceding paragraph may be prepared in English.
- (4) The document under paragraph (1) may be prepared in English in the same manner as the Appended Form 20.

(Procedures for Submitting Copies of Written Contracts)

Article 239-2 (1) The matters specified by Cabinet Office Order as prescribed in Article 63, paragraph (9) of the Act (including as applied mutandis pursuant to Article 63-3, paragraph (2) of the Act; hereinafter the same applies in this Article) are the following matters:

- (i) the name of the equity in the business subject to investment;
- (ii) the content of business subject to investment;
- (iii) the location of business office or office for conducting business subject to investment;
- (iv) the trade names or names, and domiciles of equity investors and the person who invests money and other properties invested or paid by the equity investors (hereinafter referred to as a "fund asset manager" in this paragraph);
- (v) the amount to be invested or paid by the equity investors (if properties other than money are to be invested or paid, the content and value of the investment or contribution);
- (vi) if a contract period is provided for the equity in the business subject to investment, the contract period;
- (vii) the business year for business subject to investment;
- (viii) a fund asset manager prepares financial statements, etc. for each business year of the business subject to investment and receives an audit by a certified public account or an audit corporation;
- (ix) a fund asset manager provides investors with a copy of the financial statements, etc. and the report on the audit referred to in the preceding paragraph within a reasonable period after the end of the business year related to the business subject to investment;
- (x) the fund asset manager assembles investors and provides them with a report on the operation of the business subject to investment and status of investment of properties after a reasonable period after the end of the business year related to the business subject to investment;
- (xi) in the case of making investment using money and other properties invested or paid by investors, a fund asset manager notifies investors of the content of investment in writing;
- (xii) a fund asset manager may be dismissed with the consent of a majority of

- equity interests in the business subject to investment held by investors, if there are justifiable grounds;
- (xiii) a new fund asset manager may be appointed with the consent of all investors, if the fund asset manager resigns; and
  - (xiv) in the case of a change to the contract for equity in the business subject to investment (excluding minor changes), an approval of a majority of the equity in the business subject to investment held by investors (if a higher proportion has been specified, that proportion) is required.
- (2) The matters specified in the items of Article 63, paragraph (2) of the Act as prescribed in paragraph (9) of that Article, which are specified by Cabinet Office Order are the following matters:
- (i) the matters set forth in Article 238, item (ii), sub-item (e) (limited to the matter related to the change in the case of newly commencing business prescribed in that item);
  - (ii) the matters set forth in Article 238, item (iii), sub-item (e) (limited to the matter related to the change in the case of newly commencing business prescribed in that item).
- (3) When a notifier of specially-permitted services or financial instruments business operator, etc. submits a copy of the contract for equity in the business subject to investment pursuant to the provisions of Article 63, paragraph (9) of the Act, they must submit the copy to the Commissioner of the Financial Services Agency or the competent Director-General of a Local Finance Bureau for specially-permitted services in the case of a notifier of specially-permitted services, or to the Commissioner of the Financial Services Agency or the competent Director-General of a Local Finance Bureau in the case of a financial instruments business operator, etc., within three months from the day specified in the following items in accordance with the category set forth in each of those items:
- (i) the notification pursuant to the provisions of Article 63, paragraph (2) or Article 63-3, paragraph (1) of the Act: the day when the notification has been submitted; and
  - (ii) the notification pursuant to the provisions of Article 63, paragraph (8) of the Act (including as applied mutatis mutandis pursuant to Article 63-3, paragraph (2) of the Act) (limited to the notification related to the change of the matters set forth in the items of the preceding paragraph): the day when the change has been made.
- (4) If a notifier of specially-permitted services or financial instruments business operator, etc. is unable to submit a copy of the contract within the period provided for in the preceding paragraph, they may extend the period up to three months, when they notify that fact to the Commissioner of the Financial Services Agency or the competent Director-General of a Local Finance Bureau

for specially-permitted services in the case of a notifier of specially-permitted services, or to the Commissioner of the Financial Services Agency or the competent Director-General of a Local Finance Bureau in the case of a financial instruments business operator, etc.

- (5) A document stating the reasons for the difficulty in submitting the documents within the period specified in paragraph (3) must be attached to the written notification, when making a notification referred to in the preceding paragraph.
- (6) If a notifier of specially-permitted services or financial instruments business operator, etc. is unable to conclude a contract for the equity in the business subject to investment within the period provided in paragraph (3) (if the period has been extended pursuant to the provisions of paragraph (4), the extended period), they must notify that fact to the Commissioner of the Financial Services Agency or the competent Director-General of a Local Finance Bureau for specially-permitted services for a notifier of specially-permitted services, or to the Commissioner of the Financial Services Agency or the competent Director-General of a Local Finance Bureau for a financial instruments business operator, etc., without delay after the period elapses.
- (7) When a notifier of specially-permitted services or financial instruments business operator, etc. submits a copy of the contract related to the change pursuant to the provisions of Article 63, paragraph (10) of the Act (including as applied *mutatis mutandis* pursuant to Article 63-3, paragraph (2) of the Act), they must attach a document stating the content of the change, the date of the change, and the reasons for the change, and submit the copy to the Commissioner of the Financial Services Agency or the competent Director-General of a Local Finance Bureau for specially-permitted services for a notifier of specially-permitted services, or to the Commissioner of the Financial Services Agency or the competent Director-General of a Local Finance Bureau for a financial instruments business operator, etc., without delay after the change.
- (8) Notwithstanding the provisions of Article (2), paragraph (3), if a copy of the contract referred to in paragraph (3) and the preceding paragraph is not written in Japanese or English (limited to a contract related to the notifier of specially-permitted services or a financial instruments business operator, etc. to which the provisions of paragraph (1) of that Article applies), translation in Japanese or English must be attached to the copy.
- (9) The written notification referred to in paragraphs (4) and (6) and the document referred to in paragraph (5) (limited to a document related to the notifier of specially-permitted services) may be written in English.

(Notification When a Case No Longer Falls Under Specially-Permitted Services for Qualified Institutional Investors)

Article 240 (1) A notifier of specially-permitted services that files a notification pursuant to the provisions of Article 63, paragraph (13) of the Act must submit a written notification stating that fact, the date when the business has come to no longer fall under the specially-permitted services for qualified institutional investors, etc., and the reasons for not falling under that specially-permitted services, to the Commissioner of the Financial Services Agency or the competent Director-General of a Local Finance Bureau for specially-permitted services.

(2) The written notification referred to in the preceding paragraph may be prepared in English.

(Notification of Succession of Status of Notifier of Specially-Permitted Services)

Article 241 (1) A person that files a notification pursuant to the provisions of Article 63-2, paragraph (2) of the Act must submit a written notification stating the following matters to the Commissioner of the Financial Services Agency or the competent Director-General of a Local Finance Bureaus related to specially-permitted services for the notifier of specially-permitted services referred to in paragraph (1) of that Article:

- (i) the trade name or name of the successor;
- (ii) the date of and reasons for the succession;
- (iii) the method of succession;
- (iv) if the successor is a corporation, the amount of stated capital or the total amount of contribution;
- (v) if the successor is a corporation, the name of the officers;
- (vi) if the successor has important employees, their names;
- (vii) the name and location of the principal office or office of the successor;
- (viii) the name and location of the business office or office in which the successor conducts the specially-permitted business for qualified institutional investors, etc.;
- (ix) if the successor conducts other businesses, the type of that business;
- (x) the telephone number of the principal office or office of the successor and the business office or office for conducting the specially-permitted business for qualified institutional investors, etc., and the website URL of the successor;
- (xi) if the successor is a foreign corporation, the location or domicile and the telephone number of the representative in Japan; and
- (xii) if the successor is an individual that has an domicile in a foreign country, the name or trade name, the location or domicile, and the telephone number of the agent in Japan.

(2) The following documents are to be attached to the written notification referred to in the preceding paragraph; provided, however, that if there are

compelling reasons, it is sufficient for the documents to be submitted without delay after submission of the written notification:

- (i) if the successor is a corporation, the following documents:
  - (a) a document with which the successor pledges that the corporation does not fall under any of Article 63, paragraph (7), item (i), sub-items (a) through (d) of the Act, its articles of incorporation (including a document equivalent to the articles of incorporation) and a certificate of registered information of the corporation (including a document equivalent to the certificate of registered information);
  - (b) the resume of the officers and important employees (if any of the officers is a corporation, a document stating the background of the officer);
  - (c) extracts of the resident records of the officers and important employees (if an officer is a corporation, the certificate of registered information of the officer), or alternative documents;
  - (d) if the former surname and given name of the officers or important employees are stated together with the name of the officers or important employees in a written notification referred to in the preceding paragraph, and the document set forth in (c) is not a document certifying the former surname and given name of the officers or important employees, a document certifying the former surname and given name;
  - (e) the certificates issued by a public agency evidencing that the officers and important employees do not fall under Article 29-4, paragraph (1), item (ii), sub-item (b) of the Act, or alternative documents;
  - (f) a document with which the officers and important employees pledge that they do not fall under Article 29-4, paragraph (1), item (ii), sub-item (a), or sub-items (c) through (i) of the Act, and that they are not members, etc. of an organized crime group;
- (ii) if the successor is an individual, the following documents:
  - (a) a document with which the successor pledges that they do not fall under any of Article 63, paragraph (7), item (ii), sub-items (a) through (d) of the Act;
  - (b) the resumes of the successor and important employees;
  - (c) extracts of the resident records of the successor and important employees (if the successor is an individual that has a domicile in a foreign country, including the agent in Japan; the same applies in sub-item (d)), or alternative documents;
  - (d) if the former surname and given name of the successor or important employee are stated together with the successor's or the important employee's name in a written notification referred to in the preceding paragraph, and the document set forth in sub-item (c) is not a document certifying the successor's or the important employee's former surname and

- given name, a document certifying the former surname and given name;
- (e) the certificates issued by a public agency evidencing that the successor and important employees do not fall under Article 29-4, paragraph (1), item (ii), sub-items (a) and (b) of the Act, or alternative documents;
- (f) a document with which the successor and important employees pledge that they do not fall under Article 29-4, paragraph (1), item (ii), sub-items (c) through (i) of the Act, and are not members, etc. of an organized crime group;
- (iii) if the applicant conducts business related to the acts set forth in Article 63, paragraph (1), item (i) of the Act, the following documents:
  - (a) if all of the qualified institutional investors that are to hold equity interests in the business subject to investment related to the act are investment limited partnerships, a document certifying the following matters:
    1. the total amount of money or other properties to be invested for the counterparty to the limited partnership agreement for investment based on the agreement; and
    2. the amount of borrowings by the qualified institutional investor;
  - (b) a document certifying the following matters:
    1. the total amount of money or any other property to be invested or paid by persons that are to hold the equity in the business subject to investment related to the act; and
    2. among the persons that are to hold equity interests in the business subject to investment related to the act, the total amount of money or any other property that are to be invested or paid by the person set forth in Article 234-2, paragraph (1), item (ii);
- (iv) if conducting the business related to the acts set forth in Article 63, paragraph (1), item (ii) of the Act, the following documents:
  - (a) if all of the qualified institutional investors holding equity interests in the business subject to investment related to the act are investment limited partnerships, a document certifying the following matters:
    1. the total amount of money or other properties to be invested for the counterparty to the limited partnership agreement for investment based on the agreement; and
    2. the amount of borrowings by the qualified institutional investor;
  - (b) a document certifying the following matters:
    1. the total amount of money or any other property to be invested or paid by a holder of equity interests in the business subject to investment related to the act;
    2. the total amount of money or any other property to be invested or paid by the person set forth in Article 234-2, paragraph (2), item (ii) that



holds the equity in the business subject to investment related to the act.

- (3) The written notification referred to in paragraph (1) and the documents set forth in the items of the preceding paragraph may be written in English.

(Cases in Which Notifiers of Specially-Permitted Services Give Notification of Discontinuation of Business)

Article 241-2 The cases specified by Cabinet Office Order as prescribed in Article 63-2, paragraph (3), item (iii) of the Act are as follows:

- (i) if the notifier of specially-permitted services comes to fall under Article 199, item (ii), sub-item (a) or Article 29-4, paragraph (1), item (i), sub-item (a) of the Act (limited to the part related to the provisions of foreign laws and regulations equivalent to the Act or the Act on the Provision of Financial Services) or sub-item (c), or item (iii) (excluding item (ii), sub-item (a) of that paragraph and the part related to important employees);
- (ii) if the person becomes aware of the fact that any of their officers, etc. or important employees has come to fall under Article 199, item (ii), sub-item (a) or (b);
- (iii) in cases of amending the articles of incorporation;
- (iv) if the notifier of specially-permitted services has come to know that any of their officers or employees has committed an act violating laws and regulations (in cases of acts related to the services other than specially-permitted services for qualified institutional investors, etc., limited to acts which may have a material impact on the management of business or status of property of the notifier of specially-permitted services; hereinafter referred to as the "problematic conduct, etc." in this item and the following item, and Article 241-3, paragraph (1), items (vi) and (vii)) (excluding the case in which the problematic conduct, etc. falls under the act set forth in Article 118, item (i), sub-items (a) through (d) or Article 118, item (ii), (a) or (b), or the act set forth in sub-item (c) of that item (excluding acts in violation of laws and regulations), and the act was caused due to negligence; the same applies in the following item);
- (v) if the details of the problematic conduct, etc. referred to in the preceding item have become clear;
- (vi) if the notifier of specially-permitted services has become a party to an action or conciliation (for action or conciliation related to a service other than specially-permitted services for qualified institutional investors, etc., limited to that which is likely to have a material impact on the service of notifier of specially-permitted services or the status of property), or if the action or conciliation has been concluded; and
- (vii) if the notifier of specially-permitted services is a foreign corporation or an

individual that has a domicile in a foreign country, and the notifier of specially-permitted services has been rendered an adverse disposition by an administrative agency based on foreign laws and regulations equivalent to the Act (excluding cases in which the notifier of specially-permitted services falls under Article 29-4, paragraph (1), item (i), sub-item (a) of the Act).

(Notification of Discontinuation Given by Notifiers of Specially-Permitted Services)

Article 242 (1) A notifier of specially-permitted services that gives a notification pursuant to the provisions of Article 63-2, paragraph (3) of the Act must submit a written notification stating the matters specified in the following items in accordance with the category of the cases set forth in each of those items to the competent Commissioner of the Financial Services Agency or the competent Director-General of a Local Finance Bureau for specially-permitted services:

- (i) if the case falls under Article 63-2, paragraph (3), item (i) of the Act: the period of suspension or the date of resumption, and the reasons for the suspension or resumption;
- (ii) if the case falls under Article 63-2, paragraph (3), item (ii) of the Act: the date of the discontinuation and the reasons for the discontinuation; and
- (iii) if the case falls under item (vii) of the preceding Article: the matters set forth in the following sub-items (a) through (c) in accordance with the category of cases set forth in the (a) through (c):
  - (a) if the case has come to fall under Article 29-4, paragraph (1), item (i), sub-item (a) of the Act (limited to the part related to the provisions of foreign laws and regulations equivalent to the Act or the Act on the Provision of Financial Services), the following matters:
    1. the content of the same type of the registration, etc. obtained by the notifier of specially-permitted services in a foreign country pursuant to the provisions of foreign laws and regulations that are equivalent to the Act or the Act on the Provision of Financial Services, or the same type of notification under the provisions of Article 63, paragraph (2) or Article 63-3, paragraph (1), Article 63-9, paragraph (1) or Article 63-11, paragraph (1) of the Act given by the notifier of specially-permitted services pursuant to foreign laws and regulations equivalent to the Act or the Act on the Provision of Financial Services;
    2. the date of the registration, etc. or notification;
    3. the date of and reasons for the revocation of the registration, etc. or order for suspension of the business related to the notification has been given;
    4. the content of the business for which the registration, etc. has been

revoked or suspension of the business related to the notification has been ordered;

- (b) if the case has come to fall under Article 29-4, paragraph (1), item (i), sub-item (c) of the Act, the following matters:
  - 1. the provisions of the laws and regulations that have been violated; and
  - 2. the date when the punishment became final and binding, and the amount of the fine;
- (c) if the case has come to fall under Article 199, item (ii), sub-item (a) or Article 29-4, paragraph (1), item (iii) of the Act (excluding item (ii), sub-item (a) of that paragraph and the part related to important employees ), the following matters:
  - 1. the name of the person that has come to fall under those provisions;
  - 2. if the person has come to fall under Article 199, item (ii), the date when the person became subject to a ruling of commencement of guardianship or ruling of commencement of curatorship;
  - 3. if the person has come to fall under Article 29-4, paragraph (1), item (ii), sub-item (b) of the Act, the date when the person became subject to the order for commencement of bankruptcy proceedings;
  - 4. if the person has come to fall under Article 29-4, paragraph (1), item (ii), sub-item (c) or (i) of the Act, the date when the punishment became final and binding, and the type of punishment;
  - 5. if the person has come to fall under Article 29-4, paragraph (1), item (ii), sub-item (d) or (e) of the Act, the date of revocation or order and the reasons for that;
  - 6. if the person has come to fall under Article 29-4, paragraph (1), item (ii), sub-item (f) or (g) of the Act, the date of and reason for the notice under the provisions of Article 15 of the Administrative Procedure Act to be given, and the date of and reason for making the notification under the provisions of Article 50-2, paragraph (1), Article 60-7 (including as applied mutandis pursuant to Article 60-14, paragraph (2) of the Act; the same applies in the following item), Article 63-2, paragraph (2), paragraph (3) (including as applied mutatis mutandis pursuant to Article 63-3, paragraph (2) of the Act; the same applies in the following item), or paragraph (4), Article 63-10, paragraph (2), paragraph (3) (including as applied mutatis mutandis pursuant to Article 63-11, paragraph (2) of the Act; the same applies in the following item) or paragraph (4), Article 66-19, paragraph (1), Article 66-40, paragraph (1), or Article 66-61, paragraph (1) of the Act, or Article 16, paragraph (3) of the Act on the Provision of Financial Services;
  - 7. if the person has come to fall under Article 29-4, paragraph (1), item (ii),

- sub-item (h) of the Act, the date when removal or dismissal has been ordered and the reasons for that;
- (iv) if the case falls under item (ii) of the preceding Article: the following matters:
- (a) the name of the officer or important employee that has come to fall under Article 199, item (ii), sub-item (a) or (b);
  - (b) if the officer or important employee has come to fall under Article 199, item (ii), sub-item (a), the date when the officer or important employee came to fall under the provisions and the reasons for that;
  - (c) if the officer or important employee has come to fall under Article 29-4, paragraph (1), item (ii), sub-item (b) of the Act, the date when the officer or important employee became subject to the order for commencement of bankruptcy proceedings;
  - (d) if the officer or important employee has come to fall under Article 29-4, paragraph (1), item (ii), sub-item (c) or (i) of the Act, the date when the punishment became final and binding, and the type of punishment;
  - (e) if the officer or important employee has come to fall under Article 29-4, paragraph (1), item (ii), sub-item (d) or (e) of the Act, the date of revocation or order and the reasons for that;
  - (f) if the officer or important employee has come to fall under Article 29-4, paragraph (1), item (ii), sub-item (f) or (g) of the Act, the date of and reason for the notice under the provisions of Article 15 of the Administrative Procedure Act to be given and the date of and reason for making the notification under the provisions of Article 50-2, paragraph (1), Article 60-7, Article 63-2, paragraphs (2) through (4), Article 63-10, paragraphs (2) through (4), Article 66-19, paragraph (1), Article 66-40, paragraph (1) or Article 66-61, paragraph (1) of the Act or Article 16, paragraph (3) of the Act on the Provision of Financial Services;
  - (g) if the officer or important employee has come to fall under Article 29-4, paragraph (1), item (ii), sub-item (h) of the Act, the date when the removal or dismissal has been ordered and the reasons for that;
- (v) if the case falls under item (iii) of the preceding Article: the following matters:
- (a) the content and reasons for the change; and
  - (b) the date of change;
- (vi) if the case falls under item (iv) of the preceding Article: the following matters:
- (a) the name of the business office or office in which the problematic conduct, etc. occurred;
  - (b) the name and title of the officer or employee that caused the problematic conduct, etc.; and

- (c) an outline of the problematic conduct, etc.;
- (vii) if the case falls under item (v) of the preceding Article: the following matters:
  - (a) the name of the business office or office in which the problematic conduct, etc. occurred;
  - (b) the name and title of the officer or employee that caused the problematic conduct, etc.;
  - (c) the details of the problematic conduct, etc.; and
  - (d) if in-house punishment has been taken, its content;
- (viii) if the case falls under item (vi) of the preceding Article: the matters set forth in the following sub-items (a) and (b) in accordance with the category of cases set forth in the sub-items (a) and (b):
  - (a) if the person has become party to a suit or conciliation: the following matters:
    1. the name and domicile of the party to the suit or conciliation;
    2. the day when action or conciliation has been filed;
    3. the name of the court with jurisdiction; and
    4. the content of the case;
  - (b) if the action or conciliation has been concluded, the following matters:
    1. the name and domicile of the party to the suit or conciliation;
    2. the day when the action or conciliation has been concluded; and
    3. the content of the judgment or settlement;
- (ix) if the case falls under item (vii) of the preceding Article: the following matters:
  - (a) the content of the adverse disposition; and
  - (b) the date when the financial instruments business operator, etc. has become subject to the adverse disposition and the reasons for that.
- (2) The written notification referred to in the preceding paragraph may be written in English.

(Documents Required to Be Attached to Written Notification for  
Discontinuation of Business Given by Notifiers of Specially-Permitted  
Services)

Article 242-2 (1) If falling under the category of the cases set forth in the following items, a notifier of specially-permitted services that gives a notification pursuant to the provisions of Article 63-2, paragraph (3) of the Act must attach the document specified in each of those items to the written notification stating the matters prescribed in paragraph (1) of the preceding Article:

- (i) if the case falls under Article 241-2, item (i): the matters set forth in the following sub-items (a) through (c) in accordance with the category of cases

set forth in the sub-items (a) through (c):

- (a) if a notifier of specially-permitted services has come to fall under Article 29-4, paragraph (1), item (i), sub-item (a) of the Act (limited to the part related to the provisions of foreign laws and regulations equivalent to the Act or the Act on the Provision of Financial Services), the following documents:
  - 1. a copy of the written order for revocation or discontinuation of business, or alternative documents; and
  - 2. a copy of the laws and regulations of the foreign country and their Japanese translation;
- (b) if a notifier of specially-permitted services has come to fall under Article 29-4, paragraph (1), item (i), sub-item (c) of the Act, a copy of the judgment document on the final and binding judgment, or a document stating the content of the final and binding judgment;
- (c) if a notifier of specially-permitted services has come to fall under Article 29-4, paragraph (1), item (iii) of the Act (excluding item (ii), sub-item (a) of that paragraph and the part related to important employees), the following documents:
  - 1. if the notifier of specially-permitted services has come to fall under Article 29-4, paragraph (1), item (ii), sub-item (b) of the Act, a copy of the written judgment on an order for commencement of bankruptcy proceedings, or the document stating the content of the order for commencement of bankruptcy proceedings;
  - 2. if the notifier of specially-permitted services has come to fall under Article 29-4, paragraph (1), item (ii), sub-item (c) or (g) of the Act, a copy of the judgment document on the final and binding judgment, or a document stating the content of the final and binding judgment;
  - 3. if the notifier of specially-permitted services has come to fall under Article 29-4, paragraph (1), item (ii), sub-item (d) or (e) of the Act, and a revocation has been made or an order has been given in a foreign country, a copy of the written order for revocation or discontinuation of business or alternative documents, and a copy of foreign laws and regulations that serve as the basis of the revocation or discontinuation of business and their Japanese translation;
- (ii) if the case falls under Article 241-2, item (ii) (limited to the part related to Article 199, item (ii), sub-item (b)): the following documents
  - (a) if the officer or important employee has come to fall under Article 29-4, paragraph (1), item (ii), sub-item (b) of the Act, a copy of the written judgment on the order for commencement of bankruptcy proceedings, or the document stating the content of the order for commencement of bankruptcy proceedings;

- (b) if the officer or important employee has come to fall under Article 29-4, paragraph (1), item (ii), sub-item (c) or (i) of the Act, a copy of the judgment document on the final and binding judgment, or a document stating the content of the final and binding judgment;
  - (c) if the officer or important employee has come to fall under Article 29-4, paragraph (1), item (ii), sub-item (d) or (e) of the Act, and if a revocation has been made or order was given in a foreign country, a copy of the foreign laws and regulations which serves as the basis of the rescission or discontinuation of business and its Japanese translation;
  - (iii) if the case falls under Article 241-2, item (iii): the amended articles of incorporation; and
  - (iv) if the case falls under Article 241-2, item (vii): a copy of foreign laws and regulations which provides for the adverse disposition, and their Japanese translation.
- (2) The documents set forth the items of the preceding paragraph may be written in English.

(Notification of Dissolution of Notifiers of Specially-Permitted Services)

- Article 243 (1) A person that files a notification pursuant to the provisions of Article 63-2, paragraph (4) of the Act must submit a written notification stating the date of the dissolution and the reasons for the dissolution to the Commissioner of the Financial Services Agency, if the notifier of specially-permitted services concerning the notification is a notifier of specially-permitted services designated by the Commissioner of the Financial Services Agency pursuant to the provisions of Article 42, paragraph (2) of the Order, or to the Director-General of a Local Finance Bureau with jurisdiction over the locality of the head office, etc. of the notifier of specially-permitted services (if the locality falls within the jurisdictional area of the Fukuoka Local Finance Branch Bureau, to its Director-General, or if the person does not have a business office or an office in Japan, to the Director-General of the Kanto Finance Bureau), in the case of other notifiers of specially-permitted services.
- (2) The written notification referred to in the preceding paragraph may be written in English.

(Matters to Be Notified by Financial Instruments Business Operator Concerning Specially-Permitted Services for Qualified Institutional Investors)

- Article 244 (1) A financial instruments business operator, etc. that files a written notification pursuant to the provisions of Article 63-3, paragraph (1) of the Act must submit to the Commissioner of the Financial Services Agency or the competent Director-General of a Local Finance Bureau a written

notification on the specially-permitted business for qualified institutional investors, etc. prepared by using the Appended Form No. 21, by attaching a copy of the written notification.

- (2) The matters specified by Cabinet Office Order as prescribed in Article 63-3, paragraph (1) of the Act or Article 63, paragraph (8) of the Act as applied *mutatis mutandis* pursuant to Article 63-3, paragraph (2) of the Act following the deemed replacement of terms are the matters set forth in Article 238, items (i) through (iii).
- (3) The documents set forth in the following items are to be attached to the written notification referred to in paragraph (1):
  - (i) if the applicant conducts the business related to the acts specified in Article 63, paragraph (1), item (i) of the Act, the following documents:
    - (a) if all of the qualified institutional investors that are to hold equity interests in the business subject to investment related to the act are investment limited partnerships, a document certifying the following matters
      - 1. the total amount of money or any other property to be invested for the counterparty to the limited partnership agreement for investment based on the agreement;
      - 2. the amount of borrowings of the qualified institutional investor.
    - (b) a document that certifies the following matters:
      - 1. the total amount of money or any other property to be invested or paid by the person that is to hold the equity in the business subject to investment related to the act;
      - 2. the total amount of money or any other property to be invested or paid by the person set forth in Article 234-2, paragraph (2), item (i), among the persons that are to hold the equity in the business subject to investment related to the act;
  - (ii) if the applicant conducts business related to the acts set forth in Article 63, paragraph (1), item (ii) of the Act, the following documents:
    - (a) if all of the qualified institutional investors holding equity interests in the business subject to investment related to the act are investment limited partnerships, a document certifying the following matters
      - 1. the total amount of money or other properties to be invested on behalf of the counterparty to the limited partnership agreement for investment based on the agreement;
      - 2. the amount of borrowings of the qualified institutional investor;
    - (b) a document that certifies the following matters:
      - 1. the total amount of money or any other property to be invested or paid by a holder of equity interests in the business subject to investment related to the act; and



2. the total amount of money or any other property to be invested or paid by the person set forth in Article 234-2, paragraph (2), item (ii) among the persons that hold equity interests in the business subject to investment related to the act.

(Notification of Change in Notified Matters Concerning Specially-Permitted Business for Qualified Institutional Investors by Financial Instruments Business Operators)

Article 244-2 A financial instruments business operator, etc. that files a notification pursuant to the provisions of Article 63, paragraph (8) of the Act as applied mutatis mutandis pursuant to Article 63-3, paragraph (2) of the Act must submit a written notification stating the content of the change, the date of the change, and the reasons for the change, by attaching a document stating the changed content which is prepared by using the Appended Form No. 21 and a copy of that document to the Commissioner of the Financial Services Agency or the competent Director-General of a Local Finance Bureau.

(Notification to Be Filed by Financial Instruments Business Operators in Cases When They No Longer Fall Under Specially-Permitted Business for Qualified Institutional Investors)

Article 245 A financial instruments business operator, etc. that files a notification pursuant to the provisions of Article 63, paragraph (13) as applied mutatis mutandis pursuant to Article 63-3, paragraph (2) of the Act must submit a written notification stating that fact, the date when their business came to no longer fall under the specially-permitted business for qualified institutional investors, etc., and the reasons for not falling under the specially-permitted business to the Commissioner of the Financial Services Agency or the competent Director-General of a Local Finance Bureau.

(Notification by Financial Instruments Business Operators Concerning Discontinuation of Specially-Permitted Business for Qualified Institutional Investors)

Article 246 A financial instruments business operator, etc. that gives a notification pursuant to the provisions of Article 63-2, paragraph (3) of the Act as applied mutatis mutandis pursuant to Article 63-3, paragraph (2) of the Act must submit a written notification stating the matters specified in the following items in accordance with the category of the cases set forth in each of those items to the Commissioner of the Financial Services Agency or the competent Director-General of a Local Finance Bureau:

- (i) if the case falls under Article 63-2, paragraph (3), item (i) of the Act as applied mutatis mutandis pursuant to Article 63-3, paragraph (2) of the Act:

the period of suspension or date of resumption, and the reasons for the suspension or resumption;

- (ii) if the case falls under Article 63-2, paragraph (3), item (ii) of the Act as applied *mutatis mutandis* pursuant to Article 63-3, paragraph (2) of the Act: the date of and reasons for discontinuation.

#### (Books and Documents Concerning Business)

Article 246-2 (1) The books and documents required to be prepared by a notifier of specially-permitted services or financial instruments business operator, etc. pursuant to the provisions of Article 63-4, paragraph (1) of the Act (including as applied *mutatis mutandis* pursuant to Article 63-3, paragraph (2) of the Act) are as follows:

- (i) the books and documents set forth in Article 157, paragraph (1), item (i), sub-item (a), 1. through 4. and sub-item (d), and Article 157, item (ii), sub-item (a);
  - (ii) if the person is a person that conducts the business related to the act set forth in Article 63, paragraph (1), item (i) of the Act, the books and documents set forth in Article 157, paragraph (1), items (vii) and (ix); and
  - (iii) if the person is a person that conducts the business related to the act set forth in Article 63, paragraph (1), item (ii) of the Act, the books and documents set forth in Article 157, paragraph (1), items (xvii), sub-items (a) through (c).
- (2) The books and documents set forth in the items of the preceding paragraph may be prepared in English.
- (3) The books and documents set forth in paragraph (1), item (i) must be preserved for five years from the day of preparation (for the books and documents set forth in Article 157, paragraph (1), item (ii), sub-item (a), from the day when those documents cease to be effective), and the books and documents set forth in paragraph (1), items (ii) and (iii) must be preserved for ten years from the day of preparation (for the books and documents set forth in Article 157, paragraph (1), item (xvii), sub-item (a), from the day of the end of the business related to the contract or other juridical acts).

#### (Business Reports)

Article 246-3 (1) The business report to be submitted by a notifier of specially-permitted services or a financial instruments business operator, etc. pursuant to the provisions of Article 63-4, paragraph (2) of the Act (including as applied *mutatis mutandis* pursuant to Article 63-3, paragraph (2) of the Act) must be prepared by using the Appended Form 21-2.

- (2) The business report under the preceding paragraph (limited to a report related to a notifier of specially-permitted services) may be prepared in English

in the same manner as the Appended Form 21-2.

- (3) When a notifier of specially-permitted services (limited to a company) prepares a business report referred to in paragraph (1), they are to comply with the business accounting practices generally accepted as fair and appropriate, the designated international accounting standards, or Japan's modified international standards (if the notifier of specially-permitted services is a foreign company, including fair and appropriate business accounting practices in any of the foreign countries where its principal business office or office, or the business office or office for conducting specially-permitted services for qualified institutional investors, etc. is located).
- (4) When a notifier of specially-permitted services (excluding a company) prepares a business report referred to in paragraph (1), they are to comply with the accounting practices that are generally accepted as being fair and appropriate (if the notifier of specially-permitted services is an individual that has a domicile in a foreign country, including fair and appropriate accounting practices of a foreign country where the principal business office or office, or the business office or office for specially-permitted services for qualified institutional investors, etc. is located).
- (5) When a financial instruments business operator that conducts specially-permitted services for qualified institutional investors, etc. (limited to companies, and excluding the persons that have obtained the registration referred to in Article 29 of the Act for conducting the acts under the items of Article 63, paragraph (1) of the Act on a regular basis) prepares a business report under paragraph (1), they are to comply with the business accounting practices generally accepted as fair and appropriate.
- (6) When a financial instruments business operator that conducts specially-permitted services for qualified institutional investors, etc. (excluding companies and persons that have obtained the registration referred to in Article 29 of the Act for conducting the acts referred to in the items of Article 63, paragraph (1) of the Act on a regular basis) prepares a business report referred to in paragraph (1), they are to comply with the accounting practices generally accepted as fair and appropriate.

(Procedures for Obtaining Approval on Due Date for Submitting Business Reports)

Article 246-4 (1) When a notifier of specially-permitted services or financial instruments business operator, etc. which is a foreign corporation or an individual that has a domicile in a foreign country (hereinafter referred to as "notifier of specially-permitted services which is foreign corporation, etc." in this Article and Article 246-6) seeks to obtain an approval referred to in the proviso to Article 17-13-3 of the Order, they must submit a written application

for approval stating the following matters to the Commissioner of the Financial Services Agency or the competent Director-General of a Local Finance Bureau for specially-permitted services for a notifier of specially-permitted services or to the Commissioner of the Financial Services Agency, or the competent Director-General of a Local Finance Bureau for a financial instruments business operator, etc.:

- (i) the trade name or name;
  - (ii) the date of notification under the provisions of Article 63, paragraph (2) of the Act or Article 63-3, paragraph (1);
  - (iii) the period for which the approval is sought in relation to the submission of the business report;
  - (iv) the last day of the business year related to the business report; and
  - (v) the reasons for requiring the approval concerning the submission of the business report.
- (2) The following documents must be attached to the written application set forth in the preceding paragraph:
- (i) the articles of incorporation or alternative documents;
  - (ii) a document certifying that the representative of the notifier of specially-permitted services which is foreign corporation, etc. stated in the written application for approval is a person that has legitimate authority to submit the written application for approval; and
  - (iii) a legal opinion letter by a law expert on the fact that the matters related to laws and regulations or practices stated in the written application for approval are true and accurate, and a copy of the relevant provisions of the related laws and regulations set forth in the legal opinion letter.
- (3) If the application for approval referred to in paragraph (1) has been filed, and it is found that the notifier of specially-permitted services which is foreign corporation, etc. is unable to submit a business report within three months after the end of the business year due to the laws and regulations or practices of their home country, the competent Director-General of a Local Finance Bureau, etc. for specially-permitted services or the Commissioner of the Financial Services Agency or the competent Director-General of a Local Finance Bureau is to grant an approval for the business report related to the business year that includes the day the application has been filed (if the day falls within three months from the commencement of the business year (if the approval has been granted for the submission of a business report related to the immediately preceding business year, within the approved period), the business year immediately preceding the business year) through the business year immediately preceding the business year that includes the day when the reasons specified in item (v) of that paragraph for which the application was filed ceases to exist or changes.

- (4) The approval referred to in the preceding paragraph is to be granted on the condition that the notifier, etc. of specially-permitted services which is foreign corporation, etc. referred to in that paragraph submits a document stating the following matters to the Commissioner of the Financial Services Agency or the competent Director-General of a Local Finance Bureau for specially-permitted services for a notifier of specially-permitted services, or to the Commissioner of the Financial Services Agency or the competent Director-General of a Local Finance Bureau for a financial instruments business operator, etc., within three months after the end of each business year; provided, however, that if the content of the matters set forth in item (ii) is the same as the content of the matters that have been stated in the document submitted within five years before the submission of the document, the entry of those matters may be omitted:
- (i) the fact that the reasons for filing the application for approval have not ceased to exist or changed in the business year; and
  - (ii) a legal opinion letter by a legal expert on the matter set forth in the preceding item, and a copy of the relevant provisions of the related laws and regulations set forth in the legal opinion letter.
- (5) The written application for approval referred to in paragraph (1), the documents set forth in the items of paragraph (2), and the documents referred to in the preceding paragraph (limited to those related to notifier of specially-permitted services) may be prepared in English.

(Public Inspection of Explanatory Documents)

- Article 246-5 (1) Pursuant to the provisions of Article 63-4, paragraph (3) of the Act (including as applied *mutatis mutandis* pursuant to Article 63-3, paragraph (2) of the Act; hereinafter the same applies in this Article), a notifier of specially-permitted services or financial instruments business operator, etc. must make the explanatory documents referred to in Article 63-4, paragraph (3) of the Act available for public inspection, or publicize them by using the internet or other means in order to enable easy access for investors by the method of keeping the copies of explanatory documents prepared using Appended Form 21-3 or business reports referred to in Article 246-3, paragraph (1) at their principal office or office and all business offices or offices for specially-permitted services for qualified institutional investors, etc..
- (2) The explanatory documents referred to in the preceding paragraph (limited to documents related to notifiers of specially-permitted services) may be prepared in English in the same manner as the Appended Form 21-3.
- (3) The matters specified by Cabinet Office Order as prescribed in Article 63-4, paragraph (3) of the Act are the matters stated in the Appended Form 21-3 or the business report referred to in Article 246-3, paragraph (1).

(Procedures for Obtaining Approval on Due Date for Public Inspection of Explanatory Documents)

- Article 246-6 (1) When a notifier of specially-permitted services which is a foreign corporation, etc. seeks to obtain an approval referred to in the proviso to Article 17-13-4 of the Order, they must submit a written application for approval stating the following matters to the Commissioner of the Financial Services Agency or the competent Director-General of a Local Finance Bureau for specially-permitted services for a notifier of specially-permitted services or to the Commissioner of the Financial Services Agency or the competent Director-General of a Local Finance Bureau for a financial instruments business operator, etc.:
- (i) the trade name or name;
  - (ii) the date of notification under the provisions of Article 63, paragraph (2) of the Act or Article 63-3, paragraph (1);
  - (iii) the period for which the approval is sought concerning the public inspection of the explanatory documents;
  - (iv) the last day of the business year related to the explanatory documents; and
  - (v) the reasons for requiring the approval concerning the inspection of the explanatory documents.
- (2) The following documents must be attached to the written application specified in the preceding paragraph:
- (i) the articles of incorporation or alternative documents;
  - (ii) a document certifying that the representative of the notifier of specially-permitted services which is a foreign corporation, etc. stated in the written application for approval is a person that has legitimate authority to submit the written application for approval; and
  - (iii) a legal opinion letter by a law expert on the fact that the matters related to laws and regulations or practices set forth in the written application for approval are true and accurate, and a copy of the relevant provisions of the related laws and regulations set forth in the legal opinion letter.
- (3) If the application for approval specified in paragraph (1) has been filed, and it is found that the notifier of specially-permitted services which is a foreign corporation, etc. is unable to keep the explanatory document and make it available for public inspection within four months after the end of the business year due to the laws and regulations or practices of their home country, the competent Director-General of a Local Finance Bureau, etc. for specially-permitted services or the Commissioner of the Financial Services Agency or the competent Director-General of a Local Finance Bureau is to grant an approval to the explanatory document for the business year that includes the day the application has been filed (if the day falls within four months from the

commencement of the business year (if the approval has been granted for the public inspection of the explanatory document for the immediately preceding business year, within that approved period), the business year immediately preceding the business year) through the business year immediately preceding the business year that includes the day when the reason specified in item (v) of that paragraph for which the application was filed ceases to exist or changes.

(4) The approval referred to in the preceding paragraph is to be granted on the condition that the notifier, etc. of specially-permitted services which is a foreign corporation, etc. referred to in that paragraph submits documents stating the following matters to the Commissioner of the Financial Services Agency or the competent Director-General of a Local Finance Bureau for specially-permitted services for a notifier of specially-permitted services or to the Commissioner of the Financial Services Agency or the competent Director-General of a Local Finance Bureau for a financial instruments business operator, etc., within four months after the end of each business year; provided, however, that if the content of the matters set forth in item (ii) is the same as the content of the matters that have been stated in the document submitted within five years before the submission of the document, the entry of those matters may be omitted:

- (i) the fact that the reasons for the application for approval have not ceased to exist or changed in the relevant business year; and
- (ii) a legal opinion letter by a legal expert on the matters set forth in the preceding item and a copy of the relevant provisions of the related laws and regulations set forth in the legal opinion letter.

(5) The written application for approval referred to in paragraph (1), the documents set forth in the items of paragraph (2), and the documents referred to in the preceding paragraph (limited to those related to a notifier of specially-permitted services) may be prepared in English.

(Public Notice of Supervisory Dispositions)

Article 246-7 The public notice under the provisions of Article 63-5, paragraph (6) of the Act (including as applied mutatis mutandis pursuant to Article 63-3, paragraph (2) of the Act) is to be given in an Official Gazette.

## **Section 6-2 Special Provisions on Specially Permitted Services for Foreign Investors**

(Cases in Which Status of the Operation of Business Is Likely to Hinder the Protection of Investors)

Article 246-8 The cases specified by Cabinet Office Order as prescribed in the items of Article 63-8, paragraph (1) of the Act are the cases for which technical

measures to prevent the financial values from being transferred to a person other than foreign investors, etc. (meaning the foreign investors, etc. prescribed in paragraph (2) of that Article and limited to those who do not fall under any of Article 63-8, paragraph (1), item (i), sub-items (a) through (c) have not been taken, in the cases the rights are indicated on financial values; the same applies in Article 246-19).

(Persons Excluded from Being Foreign Investors)

Article 246-9 The persons specified by Cabinet Office Order as prescribed in Article 63-8, paragraph (1), item (i), sub-item (c) of the Act are the following persons:

- (i) a special purpose company for which a person other than foreign investors, etc. (meaning foreign investors, etc. prescribed in Article 63-8, paragraph (2) of the Act; the same applies in the following item) has acquired the rights indicated on the securities set forth in Article 2, paragraph (1), item (v), sub-item (ix), or (xv) of the Act or securities set forth in item (xvii) of that paragraph (limited to those that have the nature of the securities set forth in item (v), item (ix), or item (xv) of that paragraph) issued by the specified purpose company, or has acquired the rights set forth in paragraph (2), item (iii) or (iv) of that Article (excluding the rights for which property in excess of the amount of the consideration for the acquisition is not to be delivered); and
- (ii) a person that conducts or seeks to conduct an investment business by using money or other properties invested or paid by the other party (excluding a financial instruments business operator, etc. (limited to an operator that conducts an investment management business)), based on a contract or other juridical acts related to the investment business for the right set forth in Article 2, paragraph (2), item (v) or (vi) of the Act (limited to the case in which the right based on the contract or other juridical acts falls under the right set forth in item (v) or (vi) of that paragraph) concluded with a person other than a foreign investor, etc.

(Scope of Foreign Investors)

Article 246-10 (1) The requirements specified by Cabinet Office Order as prescribed in Article 63-8, paragraph (2), item (i) of the Act are to be the fact that it is a foreign corporation or an individual that falls under any of the following requirements and has a domicile in a foreign country:

- (i) the individual satisfies all of the following requirements:
  - (a) judging reasonably from the status of transactions and other circumstances, the amount obtained by deducting the total amount of liabilities from the total amount of assets held at the time of acquiring



- equity interests in the business subject to investment related to the act set forth in Article 63-8, paragraph (1), item (i) of the Act is expected to be 300 million yen or more;
- (b) judging reasonably from the status of transactions and other circumstances, the total amount of assets (limited to the assets set forth in Article 62, item (ii), (a) through (g)) held at the time of acquiring equity interests in the business subject to investment related to the act set forth in Article 63-8, paragraph (1), item (i) of the Act is expected to be 300 million yen or more; and
  - (c) one year has passed from the day when an account was opened with a financial instruments business operator, etc. (including a person equivalent to them under foreign laws and regulations) for conducting securities transactions or derivatives transactions;
  - (ii) the individual is a person equivalent to a professional investor under foreign laws and regulations at the time of acquiring equity interests in the business subject to investment related to the act set forth in Article 63-8, paragraph (1), item (i) of the Act.
- (2) The persons specified by Cabinet Office Order as prescribed in Article 63-8, paragraph (2), item (ii) of the Act are the following persons (excluding a person that falls under the qualified institutional investor):
- (i) a professional investor; and
  - (ii) a fund similar to an employees' pension fund or a corporate pension fund that is established in accordance with foreign laws and regulations and that is operated mainly for the purpose of managing or paying retirement pension benefits, retirement allowances, and other similar compensations in a foreign country.
- (3) The persons specified by Cabinet Office Order as prescribed in Article 17-13-5, paragraph (3), item (iv) of the Order are the following persons:
- (i) a subsidiary company, etc. of the person that performs the act or a subsidiary company, etc. of the parent company, etc. of the person that performs the act;
  - (ii) a person that has been entrusted with all or part of the authority for the investment of a set of property subject to investment made by the person performing the act (meaning money or other properties to be invested by the person for the right holder related to the business of performing the act; the same applies in the following item);
  - (iii) a person that has concluded a contract with the person that performs the act promising to provide oral advice, written advice (excluding newspapers, magazines, books, or other documents issued for the purpose of selling to many and unspecified persons and which may be bought by many and unspecified persons at any time), or advice by other methods concerning

investment decisions based on the value, etc. (value of subject of transactions, amount of consideration of options, or the trend of index related to subject of transactions) of those that are to be subject of transactions conducted by the person performing the act as an investment of one property subject to investment (hereinafter referred to as the "subject of transactions" in this item) or analysis of the value, etc. (meaning the decisions on the type, quantity, and price of the subject of investment, and distinction of whether the type of transaction is purchase or sale, method, and timing, or decisions on the content and timing of the transactions required to be conducted), and the person that performs the act promises to pay remuneration for that, or a person that has concluded a contract promising to provide advice on investment decisions by those methods and the person in question promises to pay remuneration for that;

- (iv) an officer or employee of a person set forth in Article 17-13-5, paragraph (3), item (iii) of the Order and the preceding three items; and
- (v) a relative (limited to the spouse and a relative by blood or by affinity within the third degree) of the person that performs the act (limited to one that is an individual) or a person set forth in Article 17-13-5, paragraph (3), items (i) and (ii) and the preceding three items.

(Notification Concerning Specially Permitted Services for Foreign Investors)

Article 246-11 (1) A person that gives a notification pursuant to the provisions of Article 63-9, paragraph (1) of the Act must submit a written notification on specially permitted services for foreign investors, etc. prepared using the Appended Form No. 21-4 with its copy attached, to the competent Director-General of a Local Finance Bureau, etc. for the notification of specially permitted services for foreign investors, etc. (meaning a Director-General of a Local Finance Bureau with jurisdiction over the locality of the notifier's head office, etc. (if the locality falls within the jurisdictional area of the Fukuoka Local Finance Branch Bureau, to its Director-General); the same applies hereinafter).

- (2) The written notification referred to in the preceding paragraph may be prepared in English in the same manner as the Appended Form No. 21-4.

(Employees of Notifiers of Specially Permitted Services for Foreign Investors)

Article 246-12 (1) The persons specified by Cabinet Office Order as prescribed in Article 17-13-6, item (i) of the Order are persons that are in a position in which they are qualified to be delegated the authority of a person that supervises the business prescribed in that item, irrespective of their title of the head of department, the deputy head of department, the section head, or any other title.

- (2) The persons specified by Cabinet Office Order as prescribed in Article 17-13-6,

item (ii) of the Order are the persons that make investment decisions based on analysis of the values, etc. of financial instruments.

(Matters to Be Notified Concerning Specially Permitted Services for Foreign Investors)

Article 246-13 The matters specified by Cabinet Office Order as prescribed in Article 63-9, paragraph (1), item (ix) of the Act are the following matters:

- (i) the principal business office or office (for a foreign corporation, including the principal business office or office in Japan), and the telephone number and the URL of the website for the business office or office for conducting specially permitted services for foreign investors, etc.;
- (ii) the name and type (meaning the type of equity in business subject to investment and if the equity interests in the business subject to investment falls under an electronically recorded transferable right or any of the rights prescribed in Article 1-12, item (ii) of the Order, including that fact) of the equity in the business subject to investment related to the specially permitted services for foreign investors, etc.;
- (iii) the content of the business subject to investment related to the specially permitted services for foreign investors, etc.;
- (iv) if the notifier is a corporation, the following matters:
  - (a) the name of a person who is found to have the same or a higher authority over the corporation as a director, an executive officers, or a person equivalent to them, irrespective of their title as advisor, consultant or any other title; and
  - (b) the following matters concerning major shareholders (meaning the major shareholders prescribed in Article 63-9, paragraph (6), item (ii), sub-item (e) of the Act; hereinafter the same applies in this Section):
    - 1. the trade name or name;
    - 2. the location of the head office or principal office (for an individual, domicile or residence); and
    - 3. for a corporation, the name of the representative; and
- (v) if the notifier is a foreign corporation, the location or domicile and telephone number of the representative in Japan.

(Documents to Be Attached to Written Notification on Specially Permitted Services for Foreign Investors)

Article 246-14 (1) The documents specified by Cabinet Office Order as prescribed in Article 63-9, paragraph (2), item (iii) of the Act are the following documents:

- (i) the document stating the personnel structure and the system for conducting business of the organization;
- (ii) internal rules concerning the specially permitted services for foreign

- investors, etc.;
- (iii) if the notifier is a corporation, the following documents:
    - (a) the resume of the officers (including those found to have the same or a higher authority over the corporation as a director, an executive officers, or a person equivalent to them, irrespective of their title as advisor, consultant, or any other title; the same applies in this Section, excluding Article 246-20, paragraph (2), item (iii), sub-item (a), Article 246-24, paragraph (1), item (vi), sub-item (b), and Article 246-25, paragraph (1), item (iv), sub-item (b)) and important employees (meaning the employee provided for in Article 17-13-6 of the Order; hereinafter the same applies in this Section) (if an officer is a corporation, a document stating the background of the officer);
    - (b) extracts of the resident records of the officers and important employees (if an officer is a corporation, the certificate of registered information of the officer), or alternative documents;
    - (c) if the former surname and given name of the officer or important employee are stated together with the name of the officer or important employee in a written notification referred to in Article 63-9, paragraph (1) of the Act, and the document set forth in sub-item (b) is not a document certifying the former surname and given name of the officer or important employee, a document certifying the former surname and given name;
    - (d) the certificate issued by a public agency certifying that the officers or important employees do not fall under Article 29-4, paragraph (1), item (ii), sub-item (b) of the Act, or alternative documents; and
    - (e) a document in which an officer and an important employee pledge that they do not fall under any of Article 29-4, paragraph (1), item (ii), sub-item (a), or sub-items (c) through (i) of the Act; and
    - (f) a document stating the number of the subject voting rights held by major shareholders (meaning the subject voting rights prescribed in Article 29-4, paragraph (2) of the Act, and including those deemed to be held pursuant to the provisions of paragraph (5) of that Article; the same applies in Article 246-20, paragraph (2), item (iv), sub-item (a) and Article 246-22, paragraph (2), item (iii), sub-item (g));
  - (iv) if the notifier is an individual, the following documents:
    - (a) the resumes of the notifier and important employees;
    - (b) extracts of the resident records of the notifier and important employees, or alternative documents;
    - (c) if the former surname and given name of the notifier of a major employee are stated together with the current name of the notifier or the major employee in a written notification referred to in Article 63-9, paragraph (1) of the Act, and the document set forth in sub-item (b) is not a document

- certifying the former surname and given name of the notifier or the major employee, a document certifying the former surname and given name;
- (d) the certificate issued by a public agency certifying that the notifier and important employees do not fall under Article 29-4, paragraph (1), item (ii), (b) of the Act or alternative documents; and
- (e) documents in which the important employees pledge that they do not fall under any of Article 29-4, paragraph (1), item (ii), sub-item (a), or sub-items (c) through (i) of the Act; and
- (v) a document stating the following matters related to the acts set forth in the items of Article 63-8, paragraph (1) of the Act:
  - (a) the type of a person who holds or is to hold equity interests in the business subject to investment (meaning the type prescribed in the items of Article 63-8, paragraph (2) of the Act);
  - (b) if there is a resident among persons who hold or are to hold equity interests in the business subject to investment, the scheduled total amount of money and any other property to be invested or paid by the resident and the scheduled total amount of money and any other property to be invested or paid by non-residents; and
  - (c) if there is a person who satisfies the requirements set forth in Article 246-10, paragraph (1), item (ii) among the persons who hold or are to hold equity interests in the business subject to investment, the outline of foreign laws and regulations referred to in that item.
- (2) The documents set forth in the items of the preceding paragraph may be written in English.

(Electronic or Magnetic Record)

- Article 246-15 (1) The electronic or magnetic record specified by Cabinet Office Order as prescribed in Article 63-9, paragraph (3) of the Act is to fall under one of the following structures:
- (i) a 90mm flexible magnetic disc cartridge that complies with JIS X6223; and
  - (ii) a 120mm optical disc that complies with JIS X0606 and X6282.
- (2) Record in the electronic or magnetic record referred to in item (i) of the preceding paragraph must be made by the following methods:
- (i) for track formats, the method specified in JIS X6225; and
  - (ii) for volume and file configuration, the method specified in JIS X0605.
- (3) The following matters must be stated for the electronic or magnetic record referred to in paragraph (1):
- (i) the trade name or name of the notifier; and
  - (ii) the date of notification.

(Public Inspection of Notified Matters Concerning Specially Permitted Services)

for Foreign Investors by the Commissioner of the Financial Services Agency or Other Officials)

- Article 246-16 (1) The Commissioner of the Financial Services Agency, the competent Director-General of a Local Finance Bureau, etc. for the notification of specially permitted services for foreign investors, etc. or the competent Director-General of a Local Finance Bureau, etc. is to keep the records of the matters stated in the Appended Form No. 21-5 of the notifier of specially permitted services for foreign investors, etc. or financial instruments business operators (meaning a person that has given a notification under the provisions of Article 63-11, paragraph (1) of the Act and excluding a person that has given a notification of the fact that they fall under Article 63-10, paragraph (3), item (ii) of the Act as applied mutatis mutandis pursuant to Article 63-11, paragraph (2); the same applies in this Section, excluding Article 246-27, paragraph (1)) at the Financial Services Agency or the local finance bureau with jurisdiction over the locality of the head office, etc. of the notifier of specially permitted services for foreign investors, etc. or financial instruments business operator (if the locality falls within the jurisdictional district of the Fukuoka Local Finance Branch Bureau, its Director-General; or if the person does not have a business office or office in Japan, the Director-General of the Kanto Finance Bureau) and make them available for public inspection or publicize them by using the internet or by other means.
- (2) The matters specified by Cabinet Office Order as prescribed in Article 63-9, paragraph (4) of the Act (including as applied mutatis mutandis pursuant to Article 63-11, paragraph (2) of the Act) are the matters stated in the Appended Form No. 21-5.

(Public Inspection of Notified Matters Concerning Specially Permitted Services for Foreign Investors by Notifier of Specially Permitted Services for Foreign Investors or Financial Instruments Business Operators)

- Article 246-17 (1) Pursuant to the provisions of Article 63-9, paragraph (5) of the Act (including as applied mutatis mutandis pursuant to Article 63-11, paragraph (2) of the Act; the same applies in the following paragraph), a notifier of specially permitted services for foreign investors, etc. or a financial instruments business operator is to keep a copy of the document prepared using the Appended Form No. 21-5 at their principal business office or office, and all business offices or offices for conducting specially permitted services for foreign investors, etc. (in the case of a foreign corporation or an individual that has a domicile in a foreign country, the principal business office or office in Japan and all business offices or offices established in Japan for conducting specially permitted services for foreign investors, etc.) and make the copy of the document available for public inspection, or publicize them by using the

internet or other means to allow easy access for investors at all times.

- (2) The matters specified by Cabinet Office Order as prescribed in Article 63-9, paragraph (5) of the Act are the matters stated in the Appended Form No. 21-5.
- (3) The document referred to in paragraph (1) may be prepared in English in the same manner as the Appended Form No. 21-5.

(A Person That Does Not Have Personnel Structure Sufficient to Appropriately Conduct Specially Permitted Services for Foreign Investors)

Article 246-18 The person specified by Cabinet Office Order as prescribed in Article 63-9, paragraph (6), item (i), sub-item (b) of the Act is a person that falls under any of the following items:

- (i) a person who is unable to properly conduct the business, in light of the state of securing officers or employees that have sufficient knowledge and experience for conducting business and its organizational structure;
- (ii) a person who is likely to cause a loss of credibility of specially-permitted services for foreign investors, etc., due having an officer or employee with qualifications inappropriate for operating the business in light of the officer's or employee's personal history, relationship with an organized crime group as defined in Article 2, item (ii) of the Act on Prevention of Illegal Acts by Organized Crime Group Members, relationship with an organized crime group members as defined in item (vi) of that Article, or other circumstances;

(Persons Who Are Found Not to Have Developed a System Necessary for Appropriately Conducting Specially Permitted Services for Foreign Investors)

Article 246-19 The person specified by Cabinet Office Order as prescribed in Article 63-9, paragraph (6), item (i), sub-item (c) of the Act is a person who has not created the internal rules for conducting specially permitted services for foreign investors, etc. in an appropriate manner (limited to internal rules that include provisions on measures to prevent persons other than foreign investors, etc. from becoming a right holder) or a person who has not established a system for complying with the internal rules.

(Notification of Change of Notified Matters Concerning Specially Permitted Services for Foreign Investors)

Article 246-20 (1) A notifier of specially permitted services for foreign investors, etc. that files a notification under the provisions of Article 63-9, paragraph (7) of the Act must submit a written notification stating the content of the change, the date of the change, and the reasons for the change, by attaching a document stating the changed content which is prepared by using the Appended Form No. 21-4 and a copy of the document, to the Commissioner of

the Financial Services Agency or the competent Director-General of a Local Finance Bureau for the notification of specially permitted services for foreign investors, etc. (meaning the Commissioner of the Financial Services Agency in the case of a notifier of specially permitted services for foreign investors, etc. designated by the Commissioner of the Financial Services Agency pursuant to the provisions of Article 42, paragraph (2) of the Order, and the competent Director-General of a Local Finance Bureau, etc. for the notification of specially permitted services for foreign investors, etc. in the case of other notifiers of specially permitted services for foreign investors, etc.; the same applies hereinafter).

- (2) The documents specified in the following items in accordance with the category of cases prescribed in each of those items are to be attached to the written notification referred to in the preceding paragraph; provided, however, that if there are compelling reasons, it is sufficient to submit the documents after the submission of the written notification without delay:
- (i) if there is any change to the matters set forth in Article 63-9, paragraph (1), item (i) of the Act: the following documents:
    - (a) a certificate of registered information stating the changed information (in the case of an individual, an extract of the resident record), or alternative documents; and
    - (b) if the former surname and given name are stated together with the current name in a document stating the changed content which is prepared by using the Appended Form No. 21-4 and the document set forth in sub-item (a) is not a document certifying the former surname and given name, a document certifying the former surname and given name;
  - (ii) if there is any change to the matters set forth in Article 63-9, paragraph (1), item (ii) or (vi) of the Act: the certificate of registered information stating the changed information or alternative documents;
  - (iii) if there is any change to the matters set forth in Article 63-9, paragraph (1), item (iii) or (iv) of the Act or the matters set forth in Article 246-13, item (iv), sub-item (a): the following documents:
    - (a) if there is a change of officers, the certificate of registered information stating the changed information or alternative documents;
    - (b) the following documents related to the person that has newly become an officer or important employee:
      - 1. the resume (if an officer is a corporation, a document stating the background of the officer);
      - 2. an extract of the resident record (if an officer is a corporation, the certificate of registered information of the officer) or alternative documents;
      - 3. if the former surname and given name are stated together with the



- current name in a document stating the changed content which is prepared by using the Appended Form No. 21-4 and the document set forth in 2. is not a document certifying the former surname and given name, a document certifying the former surname and given name;
4. the certificate issued by a public agency certifying that the officers do not fall under Article 29-4, paragraph (1), item (ii), sub-item (b) of the Act, or alternative documents;
  5. document in which the officers and important employees pledge that they do not fall under any of Article 29-4, paragraph (1), item (ii), sub-item (a), or sub-items (c) through (i) of the Act;
  6. if the notifier of specially permitted services for foreign investors, etc. is a corporation, a document pledging that they do not fall under Article 63-9, paragraph (6), item (ii), sub-item (a) of the Act (limited to the part related to Article 29-4, paragraph (1), item (ii), sub-item (a) of the Act); and
  7. if the notifier of specially permitted services for foreign investors, etc. is an individual, a document pledging that they do not fall under Article 63-9, paragraph (6), item (iii), sub-item (a) of the Act (limited to the part related to Article 29-4, paragraph (1), item (ii), sub-item (a) of the Act);
- (iv) if there is any change to the matters set forth in Article 246-13, item (iv), sub-item (b): the following documents:
- (a) a document stating the number of subject voting rights held by major shareholders;
  - (b) if there is a person who has newly become a major shareholder and the major shareholder is an individual, a document with which the person pledges that they do not fall under Article 63-9, paragraph (6), item (ii), sub-item (e) of the Act; and
  - (c) if there is a person who has newly become a major shareholder and the major shareholder is a corporation, a document with which the person pledges that the corporation does not fall under Article 63-9, paragraph (6), item (ii), sub-item (f) of the Act.
- (3) The written notification referred to in paragraph (1) and the documents specified in the items of the preceding paragraph may be written in English.
- (4) The document referred to in paragraph (1) may be prepared in English in the same manner as the Appended Form No. 21-4.

(Notification in Cases Business No Longer Falls Under Specially Permitted Services for Foreign Investors)

Article 246-21 (1) A notifier of specially permitted services for foreign investors, etc. that gives a notification pursuant to the provisions of Article 63-9,

paragraph (10) of the Act must submit a written notification stating that fact, the date when the business has come to no longer fall under specially permitted services for foreign investors, etc., and the reasons for that, to the Commissioner of the Financial Services Agency or the competent Director-General of a Local Finance Bureau for the notification of specially permitted services for foreign investors, etc.

- (2) The written notification referred to in the preceding paragraph may be written in English.

(Notification of Succession of Status of Notifiers of Specially Permitted Services for Foreign Investors)

Article 246-22 (1) A person that gives a notification pursuant to the provisions of Article 63-10, paragraph (2) of the Act must submit a written notification stating the following matters to the Commissioner of the Financial Services Agency or the competent Director-General of a Local Finance Bureau for the notification of specially permitted services for foreign investors, etc. related to the notifier of specially permitted services for foreign investors, etc. referred to in paragraph (1) of that Article:

- (i) the trade name or name of the successor;
- (ii) the date of and the reasons for the succession;
- (iii) the method of succession;
- (iv) if the successor is a corporation, the amount of stated capital or the total amount of contribution;
- (v) if the successor is a corporation, the names of officers;
- (vi) if the successor has important employees, their names;
- (vii) the name and location of the principal business office or office (for a foreign corporation, including the principal business office or office in Japan; the same applies in item (x)) of the successor;
- (viii) the name and location of the business office or office if the successor conducts specially permitted services for foreign investors, etc.;
- (ix) if the successor conducts other business, the type of that business;
- (x) the telephone number and the URL of the website of the principal business office or office of the successor and the business office or office for conducting specially permitted services for foreign investors, etc.;
- (xi) if the successor is a corporation, the following matters concerning major shareholders:
  - (a) the trade name or name;
  - (b) the location of the head office or principal office (for an individual, the domicile or residence); and
  - (c) for a corporation, the name of the representative;
- (xii) if the successor is a foreign corporation, the location or domicile and

- telephone number of the representative in Japan.
- (2) The following documents are to be attached to the written notification referred to in the preceding paragraph; provided, however, that if there are compelling reasons, it is sufficient to submit the documents after the submission of the written notification without delay:
- (i) the documents stating the personnel structure and the system for conducting business of the organization;
  - (ii) internal rules concerning specially permitted services for foreign investors, etc.;
  - (iii) if the successor is a corporation, the following documents:
    - (a) a document with which the successor pledges that the corporation does not fall under Article 63-9, paragraph (6), items (i) and (ii) (excluding sub-item (d)) of the Act, the articles of incorporation (including an equivalent document) and a certificate of registered information of the corporation (including an equivalent document);
    - (b) the resumes of the officers and important employees (if an officer is a corporation, a document stating the background of the officer);
    - (c) extracts of the resident records of the officers and important employees (if an officers is a corporation, the certificate of registered information of the officer) or alternative documents;
    - (d) if the former surname and given name of the officer or important employee are stated together with the name of the officer or important employee in a written notification referred to in the preceding paragraph, and the document set forth in sub-item (c) is not a document certifying the former surname and given name of the officer or important employee, a document certifying the former surname and given name;
    - (e) the certificate issued by a public agency certifying that the officers and important employees do not fall under of Article 29-4, paragraph (1), item (ii), sub-item (b) of the Act, or alternative documents;
    - (f) a document with which the officers and important employees pledge that they do not fall under any of Article 29-4, paragraph (1), item (ii), sub-item (a), or sub-items (c) through (i) of the Act; and
    - (g) a document stating the number of subject voting rights held by major shareholders;
  - (iv) if the successor is an individual, the following documents:
    - (a) a document with which the successor pledges that they do not fall under Article 63-9, paragraph (6), items (i) and (iii) of the Act;
    - (b) the resumes of the successor and important employees;
    - (c) extracts of the resident records of the successor and important employees, or alternative documents;
    - (d) if the former surname and given name of the successor and important

- employee are stated together with the successor's or the important employee's name in a written notification referred to in the preceding paragraph, and the document set forth in sub-item (c) is not a document certifying the successor's or the important employee's former surname and given name, a document certifying the former surname and given name;
- (e) a certificate issued by a public agency certifying that the successor and important employee do not fall under Article 29-4, paragraph (1), item (ii), sub-item (b) of the Act, or alternative documents; and
  - (f) a document with which the important employee pledges that they do not fall under any of Article 29-4, paragraph (1), item (ii), sub-item (a), or sub-items (c) through (i) of the Act.
- (3) The written notification referred to in paragraph (1) and the documents set forth in the items of the preceding paragraph may be written in English.

(Cases Notification of Discontinuation of Business Is Given by Notifiers of Specially Permitted Services for Foreign Investors)

Article 246-23 The cases specified by Cabinet Office Order as prescribed in Article 63-10, paragraph (3), item (iii) of the Act are as follows:

- (i) if the notifier is a corporation, the following cases:
  - (a) if the notifier has come to fall under Article 29-4, paragraph (1), item (i), sub-item (a) (limited to the part related to the provisions of foreign laws and regulations equivalent to the Act or the Act on the Provision of Financial Services) or sub-item (c);
  - (b) if the notifier has come becomes aware of the fact that any of their officers or important employees has come to fall under Article 199, item (ii), sub-item (a) or (b);
  - (c) if the articles of incorporation (including an equivalent document) have been changed; and
  - (d) if the notifier becomes aware of the fact that a major shareholder has come to fall under any of Article 199, item (xi), sub-item (c), 1. through 4.;
- (ii) if the notifier is an individual, the following cases:
  - (a) if the notifier has come to fall under Article 199, item (ii), sub-item (a) or Article 29-4, paragraph (1), item (i), sub-item (a) of the Act (limited to the part related to the provisions of foreign laws and regulations equivalent to the Act or the Act on the Provision of Financial Services) or sub-item (c), or item (ii), sub-items (b) through (h), or sub-item (i) of that paragraph (excluding the part related to the provisions of the Act prescribed in item (i), sub-item (c) of that paragraph); and
  - (b) if the notifier becomes aware of the fact that any of the important employees has come to fall under Article 199, item (ii), sub-item (a) or (b);
  - (iii) if there is any change to the content of the documents set forth in Article

- 246-14, paragraph (1), item (i) or (ii);
- (iv) if the notifier has become aware that an officer or employee has committed an act violating laws and regulations (including foreign laws and regulations, etc.) (for acts related to a business other than specially permitted services for foreign investors, etc., limited to acts which are likely to have a material impact on the management of business or status of property of the notifier of specially permitted services for foreign investors, etc.; hereinafter referred to as the "problematic conduct, etc." in this item and the following item, and paragraph (1), items (vii) and (viii) of the following Article) (excluding the cases in which the problematic conduct, etc. falls under the act set forth in Article 118, item (i), sub-items (a) through (d) or item (ii), sub-item (a) or (b), or the act specified in sub-item (c) of that item (excluding acts in violation of laws and regulations), and the act was caused through negligence; the same applies in the following item);
  - (v) if the details of the problematic conduct, etc. referred to in the preceding item have become clear;
  - (vi) if the notifier of specially permitted services for foreign investors, etc. has become a party to an action or a conciliation (for an action or a conciliation concerning business other than specially permitted services for foreign investors, etc., limited to those that are likely to have a material impact on the management of business or status of property of the notifier of specially permitted services for foreign investors, etc.), or if the action or conciliation has been concluded; and
  - (vii) if the notifier has been rendered an adverse disposition by an administrative agency based on foreign laws and regulations equivalent to the Act (limited to those related to specially permitted services for foreign investors, etc. and excluding the cases falling under Article 29-4, paragraph (1), item (i), sub-item (a) of the Act).

(Notification of Discontinuation Given by Notifiers of Specially Permitted Services for Foreign Investors)

- Article 246-24 (1) A notifier of specially permitted services for foreign investors, etc. that gives a notification pursuant to the provisions of Article 63-10, paragraph (3) of the Act must submit a written notification stating the matters specified in the following items in accordance with the category of the cases set forth in each of those items to the Commissioner of the Financial Services Agency or the competent Director-General of a Local Finance Bureau for the notification of specially permitted services for foreign investors, etc.:
- (i) if the case falls under Article 63-10, paragraph (3), item (i) of the Act: the period of suspension or date of resumption, and the reasons for that;
  - (ii) if the case falls under Article 63-10, paragraph (3), item (ii) of the Act: the

- date of and the reasons for the discontinuation; and
- (iii) if the case falls under item (i), sub-item (a) or item (ii), sub-item (a) of the preceding Article: the matters set forth in the following sub-items (a) through (c) in accordance with the category of the cases set forth in the sub-items (a) through (c):
- (a) if the case has come to fall under Article 29-4, paragraph (1), item (i), sub-item (a) of the Act (limited to the part related to the provisions of foreign laws and regulations equivalent to the Act or the Act on the Provision of Financial Services), the following matters:
1. the content of the same type of registration, etc. obtained by the notifier of specially permitted services for foreign investors, etc. in the foreign country pursuant to the laws and regulations of that foreign country which are equivalent to the Act or the Act on the Provision of Financial Services, or the same type of notification under the provisions of Article 63, paragraph (2), Article 63-3, paragraph (1), Article 63-9, paragraph (1), or Article 63-11, paragraph (1) of the Act given by the notifier of specially permitted services for foreign investors, etc. in the foreign country pursuant to foreign laws and regulations equivalent to the Act or the Act on the Provision of Financial Services;
  2. the date of the registration, etc. or notification;
  3. the date of and the reasons for the revocation of the registration, etc. or order for suspension of the business related to the notification; and
  4. the content of the business for which the registration, etc. has been revoked or suspension of the business related to the notification has been ordered;
- (b) if the case has come to fall under Article 29-4, paragraph (1), item (i), sub-item (c) of the Act, the following matters:
1. the provisions of the laws and regulations which have been violated; and
  2. the date when the punishment became final and binding, and the amount of the fine;
- (c) if the notifier of specially permitted services for foreign investors, etc. who is an individual has come to fall under Article 199, item (ii), sub-item (a) or Article 29-4, paragraph (1), item (ii), sub-items (b) through (h), or sub-item (i) of the Act (excluding the part related to the provisions of the Act specified in item (i), sub-item (c) of that paragraph; the same applies in 3.), the following matters:
1. when the notifier has come to fall under Article 199, item (ii), sub-item (a), the date when they came to fall under those provisions and the reasons for that;
  2. when the notifier has come to fall under Article 29-4, paragraph (1), item (ii), sub-item (b) of the Act, the date when they became subject to the

- order for commencement of bankruptcy proceedings;
- 3. when the notifier has come to fall under Article 29-4, paragraph (1), item (ii), sub-item (c) or (i) of the Act, the date when the punishment became final and binding, and the type of punishment;
- 4. when the notifier has come to fall under Article 29-4, paragraph (1), item (ii), sub-item (d) or (e) of the Act, the date of revocation or order, and the reasons for that;
- 5. when the notifier has come to fall under Article 29-4, paragraph (1), item (ii), sub-item (f) or (g) of the Act, the date of and the reasons for the notice under the provisions of Article 15 of the Administrative Procedure Act to be given, and the date of and the reasons for making the notification under the provisions of Article 50-2, paragraph (1), Article 60-7 (including as applied mutatis mutandis pursuant to Article 60-14, paragraph (2) of the Act; hereinafter the same applies in this Article), Article 63-2, paragraph (2), paragraph (3) (including as applied mutatis mutandis pursuant to Article 63-3, paragraph (2) of the Act; hereinafter the same applies in this Article) or paragraph (4), Article 63-10, paragraph (2), paragraph (3) (including as applied mutatis mutandis pursuant to Article 63-11, paragraph (2) of the Act; hereinafter the same applies in this Article) or paragraph (4), Article 66-19, paragraph (1), Article 66-40, paragraph (1) or Article 66-61, paragraph (1) of the Act, or Article 16, paragraph (3) of the Act on the Provision of Financial Services; and
- 6. when the notifier has come to fall under Article 29-4, paragraph (1), item (ii), (h) of the Act, the date when removal or dismissal has been ordered, and the reasons for that;
- (iv) if the case falls under item (i), sub-item (b) or item (ii), sub-item (b) of the preceding Article: the following matters:
  - (a) the name of the officer or important employee that has come to fall under Article 199, item (ii), sub-item (a) or (b);
  - (b) if the officer or important employee has come to fall under Article 199, item (ii), sub-item (a), the date when the officer or important employee came to fall under the provisions and the reasons for that;
  - (c) if the officer or important employee has come to fall under Article 29-4, paragraph (1), item (ii), sub-item (b) of the Act, the date when the officer or important employee became subject to the order for commencement of bankruptcy proceedings;
  - (d) if the officer or important employee has come to fall under Article 29-4, paragraph (1), item (ii), sub-item (c) or (i) of the Act, the date when the punishment became final and binding, and the type of punishment;
  - (e) if the officer or important employee has come to fall under Article 29-4,

- paragraph (1), item (ii), sub-item (d) or (e) of the Act, the date of revocation or order, and the reasons for that;
- (f) if the officer or important employee has come to fall under Article 29-4, paragraph (1), item (ii), sub-item (f) or (g) of the Act, the date of and the reasons for the notice under the provisions of Article 15 of the Administrative Procedure Act to be given and the date of and the reasons for making the notification under the provisions of Article 50-2, paragraph (1), Article 60-7, Article 63-2, paragraphs (2) through (4), Article 63-10, paragraphs (2) through (4), Article 66-19, paragraph (1), Article 66-40, paragraph (1), or Article 66-61, paragraph (1) of the Act, or Article 16, paragraph (3) of the Act on the Provision of Financial Services; and
- (g) if the officer or important employee has come to fall under Article 29-4, paragraph (1), item (ii), sub-item (h) of the Act, the date when the removal or dismissal has been ordered, and the reasons for that;
- (v) if the case falls under item (i), sub-item (c), or item (iii) of the preceding Article: the following matters:
- (a) the content of and the reasons for the change; and
  - (b) the date of the change;
- (vi) if the case falls under item (i), sub-item (d) of the preceding Article: the matters set forth in the following sub-items (a) and (b) in accordance with the category of cases set forth in the sub-items (a) and (b):
- (a) if the notifier becomes aware of the fact that a major shareholders has come to fall under Article 199, item (xi), sub-item (c), 1. or 2., the following matters:
1. the name of the major shareholder that has come to fall under the provisions;
  2. if the major shareholder has come to fall under Article 199, item (xi), sub-item (c), 1., the date when the major shareholder came to fall under such provision and the reasons therefor;
  3. if the major shareholder or an agent has come to fall under Article 29-4, paragraph (1), item (ii), sub-item (b) of the Act, the date when the major shareholder or the agent has become subject to order for commencement of bankruptcy proceedings;
  4. if the major shareholder or an agent has come to fall under Article 29-4, paragraph (1), item (ii), sub-item (c) or (i) of the Act, the date when the punishment became final and binding, and the type of punishment;
  5. if the major shareholder or an agent has come to fall under Article 29-4, paragraph (1), item (ii), sub-item (d) or (e) of the Act, the date of revocation or order, and the reasons for that;
  6. if the major shareholder or an agent has come to fall under Article 29-4, paragraph (1), item (ii), sub-item (f) or (g) of the Act, the date of and



the reasons for the notice under the provisions of Article 15 of the Administrative Procedure Act to be given and the date of and the reasons for making the notification under the provisions of Article 50-2, paragraph (1), Article 60-7, Article 63-2, paragraphs (2) through (4), Article 63-10, paragraphs (2) through (4), Article 66-19, paragraph (1), Article 66-40, paragraph (1), or Article 66-61, paragraph (1) of the Act, or Article 16, paragraph (3) of the Act on the Provision of Financial Services; and

7. if the major shareholder or an agent has come to fall under Article 29-4, paragraph (1), item (ii), (h) of the Act, the date when removal or dismissal has been ordered, and the reasons for that;
- (b) if the notifier becomes aware of the fact that a major shareholder has come to fall under Article 199, item (xi), sub-item (c), 3. or 4.: the following matters:
1. the trade name or name of the major shareholder that has come to fall under the provisions;
  2. if the major shareholder falls under Article 29-4, paragraph (1), item (i), sub-item (a) of the Act, the content and date of the registration, etc. granted to the major shareholder, and the date of and reasons for making the revocation of the registration, etc., and content of the business for which the registration, etc. has been revoked, or the content and date of the notification under the provisions of Article 63, paragraph (2), Article 63-3, paragraph (1), Article 63-9, paragraph (1), or Article 63-11, paragraph (1) of the Act given by the major shareholder, and the date and reasons for the order of discontinuation of business for which the notification has been given and the content of that business;
  3. if the major shareholder falls under Article 29-4, paragraph (1), item (i), sub-item (b) of the Act, the date of and the reasons for the notice under the provisions of Article 15 of the Administrative Procedure Act to be given, and the date of and the reasons for making the notification under the provisions of Article 50-2, paragraph (1), Article 60-7, Article 63-2, paragraph (2) or (3), Article 63-10, paragraph (2) or (3), Article 66-19, paragraph (1), Article 66-40, paragraph (1) or Article 66-61, paragraph (1) of the Act, or Article 16, paragraph (3) of the Act on the Provision of Financial Services;
  4. if the major shareholder falls under Article 29-4, paragraph (1), item (i), sub-item (c) of the Act, the provisions of the laws and regulations violated, the date when the punishment became final and binding, and the amount of the fine;
  5. if the major shareholder has come to fall under Article 199, item (xi),

- sub-item (c), 4., the name of the officer representing the corporation which has come to fall under either of sub-item (c), 4, i. or ii. of that item;
6. if the officer representing the corporation that is the major shareholder has come to fall under Article 199, item (xi), sub-item (c), 4., i., the date when the officer came to fall under the provisions and the reasons for that;
  7. if the officer representing the corporation that is the major shareholder has come to fall under Article 29-4, paragraph (1), item (ii), sub-item (b) of the Act, the date when the officer became subject to an order for commencement of bankruptcy proceedings;
  8. if the officer representing the corporation that is the major shareholder has come to fall under Article 29-4, paragraph (1), item (ii), sub-item (c) or (i) of the Act, the date when the punishment became final and binding, and the type of punishment;
  9. if the officer representing the corporation that is the major shareholder has come to fall under Article 29-4, paragraph (1), item (ii), sub-item (d) or (e) of the Act, the date of revocation or order, and the reasons for that;
  10. if the officer representing the corporation that is the major shareholder has come to fall under Article 29-4, paragraph (1), item (ii), sub-item (f) or (g) of the Act, the date of and the reasons for the notice under the provisions of Article 15 of the Administrative Procedure Act to be given and the date of and the reasons for making the notification under the provisions of Article 50-2, paragraph (1), Article 60-7, Article 63-2, paragraphs (2) through (4), Article 63-10, paragraphs (2) through (4), Article 66-19, paragraph (1), Article 66-40, paragraph (1), or Article 66-61, paragraph (1) of the Act, or Article 16, paragraph (3) of the Act on the Provision of Financial Services; and
  11. if the officer representing the corporation that is the major shareholder has come to fall under Article 29-4, paragraph (1), item (ii), sub-item (h) of the Act, the date when removal or dismissal has been ordered, and the reasons for that;
- (vii) if the case falls under item (iv) of the preceding Article; the following matters:
- (a) the name of the business office or office in which the problematic conduct, etc. has occurred;
  - (b) the affiliation, name, and title of the officer or employee that has caused the problematic conduct, etc.; and
  - (c) an outline of the problematic conduct, etc.;
- (viii) if the case falls under item (v) of the preceding Article: the following

matters:

- (a) the name of the business office or office in which the problematic conduct, etc. has occurred;
- (b) the affiliation, name, and title of the officer or employee that has caused the problematic conduct, etc.; and
- (c) the details of the problematic conduct, etc.; and
- (d) if in-house punishment has been taken, its content;
- (ix) if the case falls under item (vi) of the preceding Article: the matters set forth in the following sub-item (a) and (b) in accordance with the category of cases set forth in the sub-items (a) and (b):
  - (a) in the case the person has become a party to an action or a conciliation, the following matters:
    - 1. the name and domicile of the party of an action or a conciliation;
    - 2. the date when the action or conciliation has been filed;
    - 3. the name of the court with jurisdiction; and
    - 4. the content of the case;
  - (b) if the action or conciliation has been concluded, the following matters:
    - 1. the name and domicile of the party to the action or conciliation;
    - 2. the date when the action or conciliation was concluded; and
    - 3. the content of the judgment or settlement;
- (x) if the case falls under item (vii) of the preceding Article: the following matters:
  - (a) the content of the adverse disposition; and
  - (b) the date when the person has become subject to the adverse disposition and the reasons for that.
- (2) The written notification referred to in the preceding paragraph may be written in English.

(Documents Required to Be Attached to Written Notification for  
Discontinuation of Business by Notifiers of Specially Permitted Services for  
Foreign Investors)

- Article 246-25 (1) If a notifier of specially permitted services for foreign investors, etc. that gives a notification pursuant to the provisions of Article 63-10, paragraph (3) of the Act falls under any of the category of the cases set forth in the following items, they must attach the document set forth in each of those items to the written notification that states the matters prescribed in paragraph (1) of the preceding Article:
- (i) if the case falls under Article 246-23, item (i), sub-item (a) or item (ii), sub-item (a): the matters set forth in the following sub-items (a) through (c) in accordance with the category of the cases set forth in the sub-items (a) through (c):

- (a) when the case has come to fall under Article 29-4, paragraph (1), item (i), sub-item (a) of the Act (limited to the part related to the provisions of foreign laws and regulations equivalent to the Act or the Act on the Provision of Financial Services), the following documents:
  - 1. a copy of the document ordering revocation or discontinuation of business, or alternative documents; and
  - 2. a copy of the laws and regulations of the foreign country and their Japanese translation;
- (b) when the case has come to fall under Article 29-4, paragraph (1), item (i), sub-item (c) of the Act, a copy of the judgment document on the final and binding judgment, or a document stating the content of the final and binding judgment;
- (c) when the notifier of specially permitted services for foreign investors, etc. who is an individual has come to fall under Article 29-4, paragraph (1), item (ii), sub-items (b) through (e) or sub-item (i) of the Act (excluding the part related to the provisions of the Act prescribed in item (i), sub-item (c) of that paragraph; the same applies in 2.), the following documents:
  - 1. if the notifier of specially permitted services for foreign investors, etc. has come to fall under Article 29-4, paragraph (1), item (ii), sub-item (b) of the Act, a copy of the written judgment on an order for commencement of bankruptcy proceedings, or the document stating the content of the order for commencement of bankruptcy proceedings;
  - 2. if the notifier of specially permitted services for foreign investors, etc. has come to fall under Article 29-4, paragraph (1), item (ii), sub-item (c) or (i) of the Act, a copy of the judgment document on the final and binding judgment, or a document stating the content of the final and binding judgment; and
  - 3. if the notifier of specially permitted services for foreign investors, etc. has come to fall under Article 29-4, paragraph (1), item (ii), sub-item (d) or (e) of the Act, and if revocation has been made or order has been given in a foreign country, a copy of the document ordering revocation or discontinuation of business or alternative documents, and a copy of foreign laws and regulations that serve as the basis of the revocation or discontinuation of business and their Japanese translation;
- (ii) if the case falls under Article 246-23, item (i), sub-item (b) or item (ii), sub-item (b) (limited to the part related to Article 199, item (ii), sub-item (b) among those provisions): the following documents:
  - (a) if the officer or important employee has come to fall under Article 29-4, paragraph (1), item (ii), sub-item (b) of the Act, a copy of the written judgment on the order for commencement of bankruptcy proceedings, or the document stating the content of the order for commencement of

- bankruptcy proceedings;
- (b) if the officer or important employee has come to fall under Article 29-4, paragraph (1), item (ii), sub-item (c) or (i) of the Act, a copy of the judgment document on the final and binding judgment, or a document stating the content of the final and binding judgment; and
- (c) if the officer or important employee has come to fall under Article 29-4, paragraph (1), item (ii), sub-item (d) or (e) of the Act, and revocation has been made or order has given in a foreign country, a copy of the foreign laws and regulations that serves as the basis of revocation or discontinuation of business and their Japanese translation;
- (iii) if the case falls under Article 246-23, item (i), sub-item (c): the amended articles of incorporation (including an equivalent document);
- (iv) the cases falling under Article 246-23, item (i), (d): documents set forth in the following sub-items (a) and (b) in accordance with the category of the cases set forth in the sub-items (a) and (b):
  - (a) if the notifier becomes aware of the fact that a major shareholder has come to fall under Article 199, item (xi), sub-item (c), 1. or 2., the following documents:
    - 1. if the major shareholder or an agent has come to fall under Article 29-4, paragraph (1), item (ii), sub-item (b) of the Act, a copy of the written judgment on the order for commencement of bankruptcy proceedings, or the document stating the content of the order for commencement of bankruptcy proceedings;
    - 2. if the major shareholder or an agent has come to fall under Article 29-4, paragraph (1), item (ii), sub-item (c) or (i) of the Act, a copy of the judgment document on the final and binding judgment, or a document stating the content of the final and binding judgment;
    - 3. if the major shareholder or an agent has been punished in a foreign country, a copy of foreign laws and regulations that has served as the basis of the punishment and their Japanese translation; and
    - 4. if the major shareholder or an agent has had an registration, etc. revoked or has been ordered to discontinue their business in a foreign country, a copy of foreign laws and regulations that serves as the basis of revocation of registration, etc. or discontinuation of business and their Japanese translation;
  - (b) if the notifier becomes aware of the fact that a major shareholder has come to fall under Article 199, item (xi), sub-item (c), 3. or 4., ii., the following documents:
    - 1. if the major shareholder has come to fall under Article 29-4, paragraph (1), item (i), sub-item (a) of the Act, a copy of the document ordering revocation or discontinuation of business or alternative documents;

2. if the major shareholder falls under Article 29-4, paragraph (1), item (i), sub-item (a) of the Act or if the officer representing the corporation that is a major shareholder falls under item (ii), sub-item (d) or (e) of that paragraph, and registration, etc. has been revoked or discontinuation of business has been ordered in a foreign country, a copy of foreign laws and regulations that has served as the basis of the revocation or discontinuation of business and their Japanese translation;
  3. if the major shareholder has come to fall under Article 29-4, paragraph (1), item (i), sub-item (c) of the Act or if the officer representing the corporation that is a major shareholder falls under item (ii), sub-item (c) or (i) of that paragraph, a copy of the judgment document on the final and binding judgment, or a document stating the content of the final and binding judgment; and
  4. if an officer representing the corporation that is a major shareholder has come to fall under Article 29-4, paragraph (1), item (ii), sub-item (b) of the Act, a copy of the written judgment on the order for commencement of bankruptcy proceedings, or the document stating the content of the order for commencement of bankruptcy proceedings;
- (v) if the case falls under Article 246-23, item (iii): the document set forth in Article 246-14, paragraph (1), item (i) or (ii) after it has been changed; and
- (vi) if the case falls under Article 246-23, item (vii): a copy of foreign laws and regulations that provide for the adverse disposition, and their Japanese translation.
- (2) The documents specified in the items of the preceding paragraph may be written in English.

(Notification of Dissolution of Notifiers of Specially Permitted Services for Foreign Investors)

Article 246-26 (1) A person that gives a notification pursuant to the provisions of Article 63-10, paragraph (4) of the Act must submit a written notification stating the date of the dissolution and the reasons for the dissolution to the Commissioner of the Financial Services Agency if the notifier of specially permitted services for foreign investors, etc. related to the notification has been designated by the Commissioner of the Financial Services Agency pursuant to the provisions of Article 42, paragraph (2) of the Order, or to the Director-General of a Local Finance Bureau who has jurisdiction over the locality of the head office, etc. of the notifier of specially permitted services for foreign investors, etc. (if the locality falls within the jurisdictional area of the Fukuoka Local Finance Branch Bureau, to its Director-General) for other notifiers of specially permitted services for foreign investors, etc.

- (2) The written notification referred to in the preceding paragraph may be written in English.

(Notification Concerning Specially Permitted Services for Foreign Investors Given by Financial Instruments Business Operators)

Article 246-27 (1) A financial instruments business operator that gives a notification pursuant to the provisions of Article 63-11, paragraph (1) of the Act must submit a written notification of the specially permitted services for foreign investors, etc. prepared by using the Appended Form No. 21-6 to the Commissioner of the Financial Services Agency or the competent Director-General of a Local Financial Bureau, by attaching a copy of the notification.

- (2) The matters specified by Cabinet Office Order as prescribed in Article 63-11, paragraph (1) of the Act or Article 63-9, paragraph (7) of the Act as applied *mutatis mutandis* pursuant to paragraph (2) of that Article following the deemed replacement of terms are the matters set forth in Article 246-13, items (i) through (iii).

- (3) The documents stating the following matters related to the acts set forth in the items of Article 63-8, paragraph (1) of the Act are to be attached to the written notification referred to in paragraph (1):

- (i) the type of a person who holds or is to hold equity interests in the business subject to investment (meaning the types referred to in the items of Article 63-8, paragraph (2) of the Act);
- (ii) if there is a resident among the persons who hold or are to hold equity interests in the business subject to investment, the scheduled total amount of money and any other property to be invested or paid by residents and the scheduled total amount of money and any other property to be invested or paid by non-residents; and
- (iii) if there is a person who falls under the requirements set forth in Article 246-10, paragraph (1), item (ii) among the persons who hold or are to hold equity interests in the business subject to investment, the outline of foreign laws and regulations referred to in that item.

(Notification of Change in Notified Matters Related to Specially Permitted Services for Foreign Investors Given by the Financial Instruments Business Operator)

Article 246-28 A financial instruments business operator who gives a notification pursuant to the provisions of Article 63-9, paragraph (7) of the Act as applied *mutatis mutandis* pursuant to Article 63-11, paragraph (2) of the Act must attach a document stating the content after the change that has been prepared using the Appended Form No. 21-6 and a copy of the document to a written notification stating the content of the change, the date of the change,

and the reasons for the change, and submit them to the Commissioner of the Financial Services Agency or the competent Director-General of a Local Finance Bureau.

(Notification to Be Given When Business No Longer Falls Under Specially Permitted Services for Foreign Investors Conducted by Financial Instruments Business Operators)

Article 246-29 A financial instruments business operator that gives a notification pursuant to the provisions of Article 63-9, paragraph (10) of the Act as applied mutatis mutandis pursuant to Article 63-11, paragraph (2) of the Act must submit a written notification stating the fact that business no longer falls under specially permitted services for foreign investors, etc., the date when business ceased to fall under the services, and the reasons for that.

(Cases In Which Financial Instruments Business Operator Give Notification on Suspension of Specially Permitted Services for Foreign Investors)

Article 246-30 The cases specified by Cabinet Office Order as prescribed in Article 63-10, paragraph (3), item (iii) of the Act as applied mutatis mutandis pursuant to Article 63-11, paragraph (2) of the Act are as follows:

- (i) if the financial instruments business operator has become aware that an officer or employee has committed an act violating foreign laws and regulations, etc. (for an act related to business other than specially permitted services for foreign investors, etc., limited to an act which is likely to have a material impact on the management of business or status of property of the financial instruments business operator; hereinafter referred to as "problematic conduct, etc." in this item, the following item, and paragraph (1), items (iii) and (iv) of the following Article) (excluding the cases in which the problematic conduct, etc. falls under the acts set forth in Article 118, item (i), sub-items (a) through (d) or item (ii), sub-item (a) or (b), or the act set forth in sub-item (c) of that item (excluding acts violating laws and regulations), and the act was caused through negligence; the same applies in the following item);
- (ii) if the details of the problematic conduct, etc. referred to in the preceding item have become clear; and
- (iii) if the financial instruments business operator has been rendered an adverse disposition by an administrative agency based on foreign laws and regulations equivalent to the Act (limited to a disposition related to specially permitted services for foreign investors, etc. and excluding the cases that fall under Article 199, item (x), or Article 29-4, paragraph (1), item (i), sub-item (a) of the Act).



(Notification on Suspension of Specially Permitted Services for Foreign Investors Conducted by Financial Instruments Business Operators)

Article 246-31 (1) A financial instruments business operator that gives a notification pursuant to the provisions of Article 63-10, paragraph (3) of the Act as applied mutatis mutandis pursuant to Article 63-11, paragraph (2) of the Act must submit a written notification stating the matters specified in the following items in accordance with the category of the cases set forth in each of those items to the Commissioner of the Financial Services Agency or the competent Director-General of a Local Finance Bureau:

- (i) if the case falls under Article 63-10, paragraph (3), item (i) of the Act as applied mutatis mutandis pursuant to Article 63-11, paragraph (2) of the Act: the period of suspension or date of resumption, and the reasons for the suspension or resumption;
  - (ii) if the case falls under Article 63-10, paragraph (3), item (ii) of the Act as applied mutatis mutandis pursuant to Article 63-11, paragraph (2) of the Act: the date of and the reasons for the discontinuation;
  - (iii) if the case falls under item (i) of the preceding Article: the following matters:
    - (a) the name of the business office or office in which the problematic conduct, etc. has occurred;
    - (b) the affiliation, name, and title of the officer or employee that has caused the problematic conduct, etc.; and
    - (c) an outline of the problematic conduct, etc.;
  - (iv) if the case falls under item (ii) of the preceding Article: the following matters:
    - (a) the name of the business office or office in which the problematic conduct, etc. has occurred;
    - (b) the affiliation, name, and title of the officer or employee that has caused the problematic conduct, etc.; and
    - (c) the details of the problematic conduct, etc.; and
    - (d) if in-house punishment has been taken, its content;
  - (v) if the case falls under item (iii) of the preceding Article: the following matters:
    - (a) the content of the adverse disposition; and
    - (b) the date when the financial instruments business operator, etc. has become subject to the adverse disposition and the reasons for that.
- (2) The written notification referred to in the preceding paragraph (limited to one related to the cases set forth in item (v) of that paragraph) is to be attached with a copy of the foreign laws and regulations that provides for the adverse disposition, and their Japanese translation.

(Books and Documents Concerning Business)

Article 246-32 (1) The books and documents required to be prepared by a notifier of specially permitted services for foreign investors, etc. or financial instruments business operator pursuant to the provisions of Article 63-12, paragraph (1) of the Act (including as applied mutatis mutandis pursuant to Article 63-11, paragraph (2) of the Act) are as follows:

- (i) the books and documents set forth in Article 157, paragraph (1), item (i), sub-item (a), 1. through 4. and sub-item (d), and item (ii), sub-item (a);
  - (ii) the books and documents set forth in Article 157, paragraph (1), item (xvii), sub-item (a) through (c) (including a copy of the documents referred to in Article 134, paragraph (5), item (v) if the case falls under that item);
  - (iii) if the person conducts business related to the act set forth in Article 63-8, paragraph (1), item (ii) of the Act, the books and documents set forth in Article 157, paragraph (1), items (vii) and (ix).
- (2) The books and documents set forth in the items of the preceding paragraph may be written in English.
- (3) The books and documents set forth in paragraph (1), item (i) must be preserved for five years from the day of preparation (for the books and documents set forth in Article 157, paragraph (1), item (ii), sub-item (a), the day when the documents ceased to be effective), and the books and documents set forth in paragraph (1), items (ii) and (iii) must be preserved for ten years from the day of preparation (for the books and documents set forth in Article 157, paragraph (1), item (xvii), sub-item (a), the day the business related to the contract or other juridical acts has been terminated).

(Business Reports)

Article 246-33 (1) The business report to be submitted by a notifier of specially permitted services for foreign investors, etc. or a financial instruments business operator pursuant to the provisions of Article 63-12, paragraph (2) of the Act (including as applied mutatis mutandis pursuant to Article 63-11, paragraph (2) of the Act) must be prepared by using the Appended Form No. 21-7.

- (2) The business report referred to in the preceding paragraph (limited to a report related to a notifier of specially permitted services for foreign investors, etc.) may be prepared in English in the same manner as the Appended Form No. 21-7.
- (3) When a notifier of specially-permitted services for foreign investors, etc. (limited to a company) prepares a business report referred to in paragraph (1), they are to comply with the business accounting practices generally accepted as fair and appropriate, the designated international accounting standards, or Japan's modified international standards (if the notifier of specially-permitted

services for foreign investors, etc. is a foreign company, including fair and appropriate business accounting practices of any of the foreign countries in which their principal business office or office is located, or the business office or office for conducting specially-permitted business for qualified institutional investors, etc. is located).

- (4) When a notifier of specially permitted services for foreign investors, etc. (excluding a company) prepares a business report referred to in paragraph (1), they are to comply with the accounting practices that are generally accepted as being fair and appropriate.
- (5) When a financial instruments business operator (limited to a company) prepares a business report referred to in paragraph (1), they are to comply with business accounting practices generally accepted as being fair and appropriate.
- (6) When a financial instruments business operator (excluding a company) prepares a business report referred to in paragraph (1), they are to comply with the accounting practices that are generally accepted as being fair and appropriate.

(Procedures for Obtaining Approval on Due Date for Submitting Business Reports)

Article 246-34 (1) When a notifier of specially permitted services for foreign investors, etc. or a financial instruments business operator which is a foreign corporation or an individual that has a domicile in a foreign country (hereinafter referred to as "notifier of specially permitted services for foreign investors, etc. which is a foreign corporation, etc." in this Article and Article 246-36) seeks to obtain an approval referred to in the proviso to Article 17-13-8 of the Order, a notifier of specially permitted services for foreign investors, etc. must submit a written application for approval stating the following matters to the Commissioner of the Financial Services Agency or the competent Director-General of a Local Finance Bureau for the notification of specially permitted services for foreign investors, etc., and a financial instruments business operator must submit a written application for approval stating the following matters to the Commissioner of the Financial Services Agency or the competent Director-General of a Local Finance Bureau:

- (i) the trade name or name;
- (ii) the date of notification under the provisions of Article 63-9, paragraph (1) or Article 63-11, paragraph (1) of the Act;
- (iii) the period for which the approval is sought concerning the submission of a business report;
- (iv) the last day of the business year related to a business report; and
- (v) the reasons for requiring the approval concerning the submission of a

business report.

- (2) The following documents must be attached to the written application for approval referred to in the preceding paragraph:
  - (i) the articles of incorporation or alternative documents;
  - (ii) a document certifying that the representative of the notifier of specially permitted services for foreign investors, etc. which is a foreign corporation, etc. stated in the written application for approval is a person that has legitimate authority to submit the written application for approval; and
  - (iii) a legal opinion letter by a law expert on the fact that the matters related to laws and regulations or practices stated in the written application for approval are true and accurate, and a copy of the relevant provisions of the related laws and regulations referred to in the legal opinion letter.
- (3) If the application for approval referred to in paragraph (1) has been filed, and it is found that the notifier of specially permitted services for foreign investors, etc. which is a foreign corporation, etc. is unable to submit the business report within three months after the end of the business year due to the laws and regulations or practices of their home country, the Commissioner of the Financial Services Agency or the competent Director-General of a Local Finance Bureau for the notification of specially permitted services for foreign investors, etc. or the Commissioner of the Financial Services Agency or the competent Director-General of a Local Finance Bureau is to grant an approval for the business report related to the business year that includes the day the application has been filed (if the day falls within three months from the commencement of the business year (if the approval has been granted for the submission of a business report related to the immediately preceding business year, within that approved period), the business year immediately preceding the business year) through the business year immediately preceding the business year that includes the day when the reasons specified in item (v) of that paragraph for which the application was filed ceases to exist or changes.
- (4) The approval referred to in the preceding paragraph is to be granted on the condition that the notifier of specially permitted services for foreign investors, etc. which is a foreign corporation, etc. referred to in that paragraph submits a document stating the following matters to the Commissioner of the Financial Services Agency or the competent Director-General of a Local Finance Bureau for the notification of specially permitted services for foreign investors, etc. in the case of a notifier of specially permitted services for foreign investors, etc., or to the Commissioner of the Financial Services Agency or the competent Director-General of a Local Finance Bureau in the case of a financial instruments business operator, within three months after the end of each business year; provided, however, that if the content of the matters set forth in item (ii) is the same as the content of the matters that have been stated in the

document submitted within five years before the submission of the document, the entry of those matters may be omitted:

- (i) the fact that the reasons for the application for approval have not been extinguished or changed in the business year; and
  - (ii) a legal opinion letter by a law expert on the matters set forth in the preceding item and a copy of the relevant provisions of the related laws and regulations set forth in the legal opinion letter.
- (5) The written application for approval referred to in paragraph (1), the documents set forth in the items of paragraph (2) and the documents referred to in the preceding paragraph (limited to those related to a notifier of specially permitted services for foreign investors, etc.) may be prepared in English.

#### (Public Inspection of Explanatory Documents)

- Article 246-35 (1) Pursuant to the provisions of Article 63-12, paragraph (3) of the Act (including as applied mutatis mutandis pursuant to Article 63-11, paragraph (2) of the Act; hereinafter the same applies in this Article), a notifier of specially permitted services for foreign investors, etc. or a financial instruments business operator must make the explanatory documents referred to in Article 63-12, paragraph (3) available for public inspection by the means of keeping the explanatory documents prepared in accordance with the Appended Form No. 21-8 or the copies of the business report referred to in Article 246-33, paragraph (1) at their principal business office or office and all business offices or offices for conducting specially permitted services for foreign investors, etc. (in the case of a foreign corporation or an individual that has a domicile in a foreign country, at the principal business office or office in Japan and all business offices or offices established in Japan for conducting specially permitted services for foreign investors, etc.) or other means, or publicize the explanatory documents or copies of the business report by using the internet or other means that enable easy access for investors at all times.
- (2) The explanatory documents referred to in the preceding paragraph may be prepared in English in the same manner as the Appended Form No. 21-8.
- (3) The matters specified by Cabinet Office Order as prescribed in Article 63-12, paragraph (3) of the Act are the matters stated in the Appended Form No. 21-8 or the business report referred to in Article 246-33, paragraph (1).

#### (Procedures for Obtaining Approval on Due Date for Public Inspection of Explanatory Documents)

- Article 246-36 (1) When a notifier of specially permitted services for foreign investors, etc. which is a foreign corporation, etc. seeks to obtain an approval referred to in the proviso to Article 17-13-9 of the Order, they must submit a written application for approval stating the following matters to the

Commissioner of the Financial Services Agency or the competent Director-General of a Local Finance Bureau for the notification of specially permitted services for foreign investors, etc. in the case of a notifier of specially permitted services for foreign investors, etc., or to the Commissioner of the Financial Services Agency or the competent Director-General of a Local Finance Bureau in the case of a financial instruments business operator:

- (i) the trade name or name;
  - (ii) the date of notification under the provisions of Article 63-9, paragraph (1) or Article 63-11, paragraph (1) of the Act;
  - (iii) the period for which the approval is sought concerning public inspection of explanatory documents;
  - (iv) the last day of the business year related to the explanatory documents; and
  - (v) the reasons for requiring the approval concerning public inspection of explanatory documents.
- (2) The following documents must be attached to the written application for approval referred to in the preceding paragraph:
- (i) the articles of incorporation or alternative documents;
  - (ii) a document certifying that the representative of the notifier of specially permitted services for foreign investors, etc. which is a foreign corporation, etc. stated in the written application for approval is a person that has legitimate authority to submit the written application for approval; and
  - (iii) a legal opinion letter by a law expert on the fact that the matters related to laws and regulations or practices stated in the written application for approval are true and accurate, and a copy of the relevant provisions of the related laws and regulations set forth in the legal opinion letter.
- (3) If the application for approval referred to in paragraph (1) has been filed, and it is found that the notifier of specially-permitted services for foreign investors, etc. which is a foreign corporation, etc. is unable to keep the explanatory documents and make them available for public inspection within four months after the end of the business year due to the laws and regulations or practices of their home country, the Commissioner of the Financial Services Agency or the competent Director-General of a Local Finance Bureau for the notification of specially permitted services for foreign investors, etc. or the Commissioner of the Financial Services Agency or the competent Director-General of a Local Finance Bureau is to grant an approval for the explanatory documents related to the business year that includes the day the application has been filed (if the day falls within four months from the commencement of the business year (if approval has been granted for public inspection of explanatory documents related to the immediately preceding business year, within that approved period), the business year immediately preceding the business year) through the business year immediately preceding the business year that includes the

day when the reasons specified in item (v) of that paragraph for which the application was filed ceases to exist or changes.

- (4) The approval referred to in the preceding paragraph is to be granted on the condition that the notifier of specially permitted services for foreign investors, etc. which is a foreign corporation, etc. referred to in that paragraph submits documents stating the following matters to the Commissioner of the Financial Services Agency or the competent Director-General of a Local Finance Bureau for the notification of specially permitted services for foreign investors, etc. in the case of a notifier of specially permitted services for foreign investors, etc., or to the Commissioner of the Financial Services Agency or the competent Director-General of a Local Finance Bureau in the case of a financial instruments business operator, within four months after the end of each business year; provided, however, that if the content of the matters set forth in item (ii) is the same as the content of the matters stated in the document submitted within five years before the submission of the document, the entry of those matters may be omitted:
- (i) the fact that the reasons for filing the application for approval have not ceased to exist or changed in the business year; and
  - (ii) a legal opinion letter by a law expert on the matters set forth in the preceding item and a copy of the relevant provisions of the related laws and regulations set forth in the legal opinion letter.
- (5) The written application for approval referred to in paragraph (1), the documents set forth in the items of paragraph (2), and the documents referred to in the preceding paragraph (limited to those related to a notifier of specially permitted services for foreign investors, etc.) may be prepared in English.

(Public Notice of Supervisory Dispositions)

Article 246-37 The public notice under the provisions of Article 63-13, paragraph (6) of the Act (including as applied *mutatis mutandis* pursuant to Article 63-11, paragraph (2) of the Act) is to be given in an Official Gazette.

## **Section 7 Sales Representatives**

(Matters to Be Entered into the Register of Sales Representatives)

Article 247 The matters specified by Cabinet Office Order as prescribed in Article 64, paragraph (1) of the Act are as follows:

- (i) the trade name or name of the registration applicant; and
- (ii) the following matters concerning sales representatives:
  - (a) whether the sales representative is an officer (for a foreign corporation, meaning an officer stationed at a business office or office in Japan (including a director, accounting advisor, company auditor or executive

officer, or a person that holds any position equivalent to them)) or employee; and

- (b) if a sales representative has been ordered to suspend business pursuant to the provisions of Article 64-5, paragraph (1) of the Act, the day and period of the disposition, and the reasons for the disposition.

(Place to Keep Register of Sales Representatives)

Article 248 The place specified by Cabinet Office Order as prescribed in Article 64, paragraph (1) of the Act is a local finance bureau or the Fukuoka Local Finance Branch Bureau (for the register related to sales representatives of a financial instruments business operator, etc. for whom an association is to handle the registration work (meaning the registration work prescribed in Article 64-7, paragraph (1) of the Act; the same applies hereinafter) pursuant to the provisions of Article 64-7, paragraph (1) or (2) of the Act, that association).

(Application for Registration)

Article 249 A financial instruments business operator, etc. which seeks to obtain a registration referred to in Article 64, paragraph (1) of the Act must submit a written application for registration referred to in paragraph (3) of that Article prepared by using the Appended Form No. 22, by attaching a copy of the written application for registration and documents required to be attached to it pursuant to the provisions of paragraph (4) of that Article to the competent Director-General of a Local Finance Bureau, etc.

(Matters to Be Specified in a Written Application for Registration)

Article 250 The matters specified by Cabinet Office Order as prescribed in Article 64, paragraph (3), item (iv) of the Act are whether the sales representative related to the application for registration has conducted financial instruments business, and for a sales representative that has conducted financial instruments business, the period the business has been conducted.

(Documents to Be Attached to a Written Application for Registration)

Article 251 The documents specified by Cabinet Office Order as prescribed in Article 64, paragraph (4) of the Act are as follows:

- (i) extracts of the resident records of sales representatives related to the application for registration or alternative documents;
- (ii) if the former surname and given name of the sales representatives related to the application for registration are stated together with the current name of the sales representatives in a written application for registration referred



- to in Article 64, paragraph (3) of the Act, and the document set forth in the preceding item is not a document certifying the former surname and given name of the sales representatives, a document certifying the former surname and given name; and
- (iii) the document with which the applicant and the sales representative pledge that the sales representative does not fall under any of the items of Article 64-2, paragraph (1) of the Act.

(Notification of Changes to Registered Matters)

- Article 252 (1) A financial instruments business operator, etc. that gives a notification pursuant to the provisions of Article 64-4, item (i) of the Act must submit a written notification of changes prepared by using the Appended Form No. 23 to the competent Director-General of a Local Finance Bureau, etc.
- (2) A financial instruments business operator, etc. that gives a notification pursuant to the provisions of Article 64-4, items (ii) through (iv) of the Act must submit a written notification stating the matters specified in the following items in accordance with the category of the cases set forth in each of those items to the competent Director-General of a Local Finance Bureau, etc.:
- (i) if the case falls under Article 64-4, item (ii) of the Act: the following matters:
    - (a) the name of the sales representative that has come to fall under the provisions; and
    - (b) the date when the sales representative has come to fall under the provisions and the reasons for that;
  - (ii) if the case falls under Article 64-4, item (iii) of the Act (limited to cases in which the sales representative has come to fall under Article 29-4, paragraph (1), item (ii), sub-item (b) of the Act): the following matters:
    - (a) the name of the sales representative that has come to fall under the provisions; and
    - (b) the date when the sales representative became subject to the order for commencement of bankruptcy proceedings;
  - (iii) if the case falls under Article 64-4, item (iii) of the Act (limited to cases in which the sales representative has come to fall under Article 29-4, paragraph (1), item (ii), sub-item (c) or (i) of the Act): the following matters:
    - (a) the name of the sales representative that has come to fall under the provisions; and
    - (b) the date when the punishment became final and binding, and the type of punishment;
  - (iv) if the case falls under Article 64-4, item (iii) of the Act (limited to cases in which the sales representative has come to fall under Article 29-4, paragraph (1), item (ii), sub-item (d) or (e) of the Act): the following matters:

- (a) the name of the sales representative that has come to fall under the provisions; and
- (b) the date of revocation or order, and the reasons for that;
- (v) if the case falls under Article 64-4, item (iii) of the Act (limited to the case that has come to fall under Article 29-4, paragraph (1), item (ii), sub-item (f) or (g) of the Act): the following matters:
  - (a) the name of the person that has come to fall under the provisions;
  - (b) the date of and reason for the notice under the provisions of Article 15 of the Administrative Procedure Act to be given, and the date of and reason for making the notification under the provisions of Article 50-2, paragraph (1) of the Act, Article 60-7 of the Act (including as applied mutandis pursuant to Article 60-14, paragraph (2) of the Act), Article 63-2, paragraph (2), paragraph (3) (including as applied mutatis mutandis pursuant to Article 63-3, paragraph (2) of the Act), or paragraph (4), Article 63-10, paragraph (2), paragraph (3) (including as applied mutatis mutandis pursuant to Article 63-11, paragraph (2) of the Act), or paragraph (4), Article 66-19, paragraph (1), Article 66-40, paragraph (1) or Article 66-61, paragraph (1) of the Act, or Article 16, paragraph (3) of the Act on the Provision of Financial Services;
- (vi) if the case falls under Article 64-4, item (iii) of the Act (limited to cases in which the sales representative has come to fall under Article 29-4, paragraph (1), item (ii), sub-item (f) of the Act): the following matters:
  - (a) the name of the sales representative that has come to fall under the provisions; and
  - (b) the date when removal or dismissal has been ordered and the reasons for that;
- (vii) if the case falls under Article 64-4, item (iv) of the Act: the following matters:
  - (a) the name of the person that has ceased to conduct business;
  - (b) the reason for ceasing to conduct the duties of a sales representative.
- (3) A financial instruments business operator, etc. gives a notification pursuant to the provisions of Article 64-4, items (ii) through (iv) of the Act must, if the case falls under the category of the cases set forth in the following items, attach the document specified in each of those items to the written notification stating the matters prescribed in the preceding paragraph:
  - (i) if the case falls under Article 64-4, item (iii) of the Act (limited to cases in which the sales representative has come to fall under Article 29-4, paragraph (1), item (ii), sub-item (b) of the Act): a copy of the written judgment on the order for commencement of bankruptcy proceedings, or the document stating the content of the order for commencement of bankruptcy proceedings;
  - (ii) if the case falls under Article 64-4, item (iii) of the Act (limited to cases in

- which the sales representative has come to fall under Article 29-4, paragraph (1), item (ii), sub-item (c) or (i) of the Act): a copy of the judgment document on the final and binding judgment, or a document stating the content of the final and binding judgment;
- (iii) if the case falls under Article 64-4, item (iii) of the Act (limited to cases in which the sales representative has come to fall under Article 29-4, paragraph (1), item (ii), sub-item (d) or (e) of the Act, and the rescission was made or an order was given in a foreign country): a copy of the written order for rescission or discontinuation of business or alternative documents, and a copy of foreign laws and regulations that serves as the basis of the rescission or discontinuation of business and their Japanese translation.
- (4) The case specified by Cabinet Office Order as prescribed in Article 64-4, item (ii) of the Act is the case in which a person has come to have a mental impairment and it has become extremely difficult for the person to continue performing the duties of a sales representative.

(Notification to Be Filed Upon Retirement of Sales Representatives)

Article 253 A financial instruments business operator, etc. that seeks to file a notification pursuant to the provisions of Article 64-4, item (iv) of the Act must, if there is a fact that falls under Article 64-5, paragraph (1), item (ii) of the Act concerning the sales representative, submit a document stating the details of that fact to the competent Director-General of a Local Finance Bureau, etc., before filing the notification based on the provisions of Article 50, paragraph (1) of the Act.

(Registration Work of Sales Representatives Handled by Associations)

Article 254 Pursuant to the provisions of Article 64-7, paragraphs (1) and (2) of the Act, the following registration work related to the sales representatives of financial instruments business operators, etc. belonging to an association is to be delegated to the association, and the following registration work related to financial instruments business operator, etc. not belonging to an association are to be delegated to an association specified by the Commissioner of the Financial Services Agency pursuant to the provisions of that paragraph:

(i) acceptance of written applications for registration under the provisions of Article 64, paragraph (3) of the Act;

(ii) registration made under the provisions of Article 64, paragraph (5) of the Act;

(iii) notice given under the provisions of Article 64, paragraph (6), Article 64-2, paragraph (3), and Article 64-5, paragraph (3) of the Act;

(iv) refusal of registration under the provisions of Article 64-2, paragraph (1) of the Act;

- (v) hearing conducted under the provisions of Article 64-2, paragraph (2) of the Act;
- (vi) acceptance of notifications under the provisions of Article 64-4 of the Act;
- (vii) revocation of registrations and order for suspension of business under the provisions of Article 64-5, paragraph (1) of the Act;
- (viii) hearing conducted under the provisions of Article 64-5, paragraph (2) of the Act; and
- (ix) deletion of registration under the provisions of Article 64-6 of the Act.

(Notification to Director-General of Local Finance Bureaus)

Article 255 An association that files a notification pursuant to the provisions of Article 64-7, paragraph (5) of the Act must submit a written notification stating the following matters to the Director-General of a Local Finance Bureau with jurisdiction over the locality of the head office, etc. of the financial instruments business operator, etc. to which a sales representative related to the registration work belongs (if the locality falls within the jurisdictional area of the Fukuoka Local Finance Branch Bureau, to its Director-General; or if the business operator does not have a business office or an office in Japan, to the Director-General of the Kanto Finance Bureau):

- (i) the trade name or name of the financial instruments business operator, etc. to which the sales representatives related to the registration work belongs;
- (ii) the name and date of birth of the sales representatives related to the registration work;
- (iii) the content of the registration work which has been completed and the date the work has been completed; and
- (iv) if the content of the registration work referred to in the preceding item is an order for suspension of duty or deletion of registration, the reasons for that.

(Amount of Registration Fees)

Article 256 The amount specified by Cabinet Office Order as prescribed in Article 17-15, paragraph (1) of the Order is one thousand yen.

### **Chapter III Financial Instruments Intermediary Service Providers**

#### **Section 1 General Provisions**

(Application for Registration)

Article 257 The person that seeks to obtain a registration referred to in Article 66 of the Act must submit to the Director-General of a Local Finance Bureau with jurisdiction over the locality of the person's head office, etc. (if the locality falls within the jurisdictional area of the Fukuoka Local Finance Branch

Bureau, to its Director-General; if the person does not have a business office or an office in Japan, to the Director-General of the Kanto Finance Bureau) a written application for registration referred to in Article 66-2, paragraph (1) of the Act prepared by using the Appended Form No. 24, by attaching a copy of the written application and the documents or electronic or magnetic record required to be attached to the written application pursuant to the provisions of paragraph (2) or (3) of that Article.

(Matters to Be Stated in Written Applications for Registration)

Article 258 The matters specified by Cabinet Office Order as prescribed in Article 66-2, paragraph (1), item (vi) of the Act are as follows:

- (i) if the applicant for registration is an individual that regularly engages in the business of another company, the trade name and type of business of the other company;
- (ii) if the applicant for registration is a corporation any of whose officers engages in ordinary business of another company, or conducts business, the name of the officer, and the trade name and business type of the other company, or the type of business conducted;
- (iii) if the registration applicant has two or more entrusting financial instruments business operators, etc., the trade name or name of the entrusting financial instruments business operator, etc. that compensates for loss arising from problematic conduct by the applicant for registration (meaning the problematic conduct prescribed in Article 39, paragraph (3) of the Act as applied mutatis mutandis pursuant to Article 66-15 of the Act; hereinafter the same applies in this item, Articles 277 through 279, and Article 281, item (xii), sub-item (c)); and
- (iv) the name and location of the head office, etc.

(Content and Method of Business)

Article 259 The matters specified by Cabinet Office Order as prescribed in Article 66-2, paragraph (2), item (ii) of the Act are as follows:

- (i) the content and method of business; and
- (ii) if the applicant for registration is a corporation, the method of division of duties.

(Documents to Be Attached to Written Applications for Registration)

Article 260 The documents specified by Cabinet Office Order as prescribed in Article 66-2, paragraph (2), item (iv) of the Act are as follows:

- (i) if the applicant for registration is a corporation, the following documents:
  - (a) the resumes of officers (if an officer is a corporation, the document stating the background of the officer);

- (b) extracts of the resident records of the officers (if an officer is a corporation, the certificate of registered information of the officer), or alternative documents
- (c) if the former surname and given name of an officer are stated together with the current name of the officer in a written application for registration referred to in Article 66-2, paragraph (1) of the Act, and the document set forth in sub-item (b) is not a document certifying the former surname and given name of the officer, a document certifying the former surname and given name;
- (d) a certificate issued by a public agency certifying that the officer does not fall under Article 29-4, paragraph (1), item (ii), sub-item (b) of the Act, or alternative documents;
- (e) a document with which an officer pledges that they do not fall under any of Article 29-4, paragraph (1), item (ii), sub-item (a), or sub-items (c) through (i) of the Act;
- (ii) if the applicant for registration is an individual, the following documents:
  - (a) resume of the applicant for registration;
  - (b) an extract of the resident record of the applicant for registration, or alternative documents;
  - (c) if the former surname and given name are stated together with the current name in a written application for registration referred to in Article 66-2, paragraph (1) of the Act and the document set forth in sub-item (b) is not a document certifying the former surname and given name, a document certifying the former surname and given name;
  - (d) a certificate issued by a public agency certifying that the applicant for registration does not fall under Article 29-4, paragraph (1), item (ii), sub-item (b) of the Act, or alternative documents;
- (iii) a copy of the written contract of the outsourcing contract for financial instruments intermediary services concluded with the entrusting financial instruments business operator, etc.; and
- (iv) a copy of the written contract related to the matters set forth in Article 258, item (iii).

(Electronic or Magnetic Records)

- Article 261 (1) The electronic or magnetic record specified by Cabinet Office Order as prescribed in Article 66-2, paragraph (3) of the Act is to fall under one of the following structures:
- (i) a 90mm flexible magnetic disc cartridge that complies with JIS X6223;
  - (ii) a 120mm optical disc that complies with JIS X0606 and X6282.
- (2) Record in the electronic or magnetic record referred to in item (i) of the preceding paragraph must be made in accordance with the following methods:

- (i) for track formats, the method specified in JIS X6225; and
  - (ii) for volume and file configuration, the method specified in JIS X0605.
- (3) The following matters must be stated for the electronic or magnetic record referred to in paragraph (1):
- (i) the trade name or name of the registration applicant; and
  - (ii) the date of application.

(Public Inspection of the Register of Financial Instruments Intermediary Service Providers)

Article 262 The competent Director-General of a Local Finance Bureau, etc. is to keep the register of financial instruments intermediary service providers of the financial instruments intermediary service provider to which the Director-General has granted registration, at the finance bureau with jurisdiction over the locality of the head office, etc. of the financial instruments intermediary service provider (if the locality falls within the jurisdictional district of the Fukuoka Local Finance Branch Bureau, the Fukuoka Local Finance Branch Bureau, or if the service provider does not have a business office or an office in Japan, the Kanto Finance Bureau) and make the register available for public inspection.

(Notification on Changes of Matters to Be Stated in Written Applications for Registration)

Article 263 (1) A financial instruments intermediary service provider that files a notification pursuant to the provisions of Article 66-5, paragraph (1) of the Act must submit to the competent Director-General of a Local Finance Bureau, etc. a written notification stating the content of the change, the date of the change, and the reasons for the change by attaching a document stating the changed content prepared by using the Appended Form No. 24 and a copy of that document, and a document specified in the following items in accordance with the category of the documents set forth in each of those items:

- (i) if there is any change to the matters set forth in Article 66-2, paragraph (1), item (i) of the Act: the certificate of registered information stating the information related to the change (if the person is an individual, an extract of the resident record), or alternative documents;
- (ii) if the former surname and given name are stated together with the current name in a document stating the changed content which is prepared by using the Appended Form 24 and the document specified in the preceding item is not a document certifying the former surname and given name, a document certifying the former surname and given name;
- (iii) if there is any change to the matters set forth in Article 66-2, paragraph (1), item (ii) of the Act: the following documents:

- (a) the certificate of registered information stating the changed matter, or alternative documents; and
  - (b) the following documents for a person that has newly assumed the position of an officer:
    - 1. resumes of the officer (if the officer is a corporation, the document stating the background of the officer);
    - 2. an extract of the resident record of the officer (if the officer is a corporation, the certificate of registered information of the officer), or alternative documents;
    - 3. if the former surname and given name are stated together with the current name in a document stating the changed content which is prepared by using the Appended Form 24 and the document set forth in 2. is not a document certifying the former surname and given name, a document certifying the former surname and given name;
    - 4. the certificate issued by a public agency certifying that the officer does not fall under Article 29-4, paragraph (1), item (ii), sub-item (b) of the Act, or alternative documents;
    - 5. a document with which the officer pledges that they do not fall under any of Article 29-4, paragraph (1), item (ii), sub-item (a), or sub-items (c) through (i) of the Act;
    - 6. a documents with which the person pledges that they do not fall under Article 66-4, item (ii), sub-item (b) of the Act (limited to the part related to Article 29-4, paragraph (1), item (ii), (a) of the Act);
  - (iv) if there is any change to the matters set forth in Article 66-2, paragraph (1), item (iv) of the Act (limited to cases in which the applicant for registration has newly accepted entrustment business): a copy of the written contract of the entrustment contract for financial instruments intermediary services concluded with the entrusting financial instruments business operator, etc. that has newly accepted entrustment business;
  - (v) if there is any change to the matters set forth in Article 258, item (iii) (limited to cases in which there are two or more entrusting financial instruments business operators, etc.): the following documents:
    - (a) written statement of reasons related to the change; and
    - (b) the document set forth in Article 260, item (iv); and
  - (vi) if there is any change to the matters set forth in Article 258, item (iv): the certificate of registered information stating the matters that have been changed, or alternative documents.
- (2) If the competent Director-General of a Local Finance Bureau, etc. has received a notification on the change of the locality of the head office, etc. filed beyond the jurisdictional area from a financial instruments intermediary service provider, the Director-General is to send the written notification and



the part of the register of the financial instruments intermediary service providers related to the financial instruments intermediary service provider and other documents to the Director-General of a Local Finance Bureau that has jurisdiction over the changed locality of the head office, etc. related to the notification (if the locality falls within the jurisdictional area of the Fukuoka Local Finance Branch Bureau, its Director-General; or if the service operator does not have a business office or an office in Japan, the Director-General of the Kanto Finance Bureau).

- (3) The Director-General of a Local Finance Bureau or the Director-General of the Fukuoka Local Finance Branch Bureau who has received the documents sent under the provisions of the preceding paragraph is to register the matters related to the financial instruments intermediary service provider in the register of financial instruments intermediary service providers.

(Notification on Changes to Content and Method of Business)

Article 264 A financial instruments intermediary service provider that files the notification pursuant to the provisions of Article 66-5, paragraph (3) of the Act must submit a written notification stating the content, the date of the change, and the reasons for the change by attaching a document stating the matters set forth in the items of Article 259 (limited to the matters whose content has been changed) to the competent Director-General of a Local Finance Bureau, etc.

## **Section 2 Business**

(Form of Signs Required to Be Posted)

Article 265 The form specified by Cabinet Office Order as prescribed in Article 66-8, paragraph (1) of the Act is the form specified in the Appended Form No. 25.

(Acts Similar to Advertising)

Article 266 The acts specified by Cabinet Office Order as prescribed in the paragraphs of Article 66-10 of the Act mean acts of providing the same information to many persons, by means of postal mail, correspondences delivery, transmission by a facsimile device, electronic mail, distribution of leaflets or pamphlets, or other means (excluding those set forth in the following items):

- (i) method of distributing documents prepared based on laws or regulations or dispositions rendered by administrative agencies based on laws and regulations;
- (ii) method of distributing materials on the analysis and appraisal by individual enterprises which will not be used for soliciting the conclusion of

financial instruments transaction contracts related to intermediation for financial instruments;

(iii) method of providing premiums or other goods that only indicate all of the following matters (limited to those that clearly and accurately indicate the matters set forth in sub-items (b) through (d)) (if there are matters that are not indicated on the premiums or other goods among those matters, including method of provision of the premiums or other goods together with goods that indicate the matters as a single unit):

(a) the name, issue, or alias of any of the following matters:

1. financial instruments transaction contract related to intermediation for financial instruments, or its type;
2. securities or the type of those securities;
3. business subject to investment or the type of the business; or
4. matters equivalent to the matters set forth in 1. through 3.

(b) the trade name, name, or alias of financial instruments intermediary service providers that provide information that has similar content to many persons by the means specified in this item;

(c) the matters set forth in Article 18, paragraph (2), item (i) of the Order and the matters set forth in Article 269, item (iii) (limited to cases in which the letters or numbers used for the matters are indicated in a size that does not substantially differ from the size of the largest letters or numbers used for the matters other than those matters);

(d) a notice of the fact that the content of any of the following documents concerning intermediation for financial instruments should be thoroughly read:

1. document for delivery before conclusion of a contract;
2. document on listed securities, etc.
3. prospectus prescribed in Article 80, paragraph (1), item (iii) (if there is a document to be delivered together with the prospectus pursuant to the provisions of that item as a single unit, the prospectus and the document); and
4. contract change document.

#### (Presentation Method of Advertisement on Content of Financial Instruments Intermediary Services)

Article 267 (1) If a financial instruments intermediary service provider advertises or conducts acts specified in the preceding Article concerning the content of their financial instruments intermediary services (hereinafter referred to as "advertisement, etc." in this Section), they must clearly and accurately present the matters set forth in the items of Article 66-10, paragraph (1) of the Act.

- (2) If a financial instruments intermediary service provider makes an advertisement, etc. concerning the content of their financial instruments intermediary services, they are to indicate the letters or numbers used for the matters set forth in Article 18, paragraph (1), items (iv) and (v) of the Order and the matters set forth in Article 269, item (iii) in a size that does not substantially differ from the size of the largest letters or numbers used for the matters other than those matters.
- (3) Notwithstanding the provisions of the preceding paragraph, if a financial instruments intermediary service provider advertises the content of their financial instruments intermediary services by means of broadcasting the content using the broadcasting facilities of a basic broadcaster or by the means set forth in the items of Article 270, paragraph (1) (excluding the means of broadcasting using sound), they are to indicate the letters or numbers used for the matters set forth in Article 18, paragraph (2), item (i) of the Order and the matters set forth in Article 269, item (iii) in a size that does not substantially differ from the size of the largest letters or numbers used for the matters other than those matters.

(Matters Concerning Consideration Customers Should Pay)

Article 268 (1) The matters specified by Cabinet Office Order as prescribed in Article 18, paragraph (1), item (i) of the Order are the amount for each type of consideration required to be paid by customers concerning a financial instruments transaction contract related to intermediation for financial instruments which are fees, remunerations, expenses, or other payments irrespective of the name (excluding the price of securities or the amount of security deposit, etc.; hereinafter referred to as "fees, etc." in this Section) or its upper limit, or the outline of the method of its calculation (including the ratio to the price of the securities related to the financial instruments transaction contract, the amount of derivative transactions, etc. prescribed in Article 16, paragraph (1), item (iii) of the Order or the amount of invested properties, or the ratio to the profit generated from conducting the acts that constitute financial instruments transactions; hereinafter the same applies in this paragraph), and the sum or upper limit of that amount, or the outline of the method of their calculation; provided, however, that if it is not possible to indicate them, that fact and the reason for that.

- (2) If a financial instruments transaction contract related to intermediation for financial instruments referred to in the preceding paragraph concerns the acquisition of investment trust beneficial interests, etc., and the property related to the investment trust beneficial interests, etc. is to be invested or contributed in another investment trust beneficial interests, etc. (hereinafter referred to as "investment trust beneficial interests, etc. that are subject of

contribution" in this Article), the fees, etc. referred to in the preceding paragraph are to include the trust fee and any other fees, etc. related to the investment trust beneficial interests, etc. that are subject of contribution.

- (3) If the property related to investment trust beneficial interests, etc. that are subject of contribution referred to in the preceding paragraph is to be invested or contributed in another investment trust beneficial interests, etc., the other investment trust beneficial interests, etc. are deemed to be investment trust beneficial interests, etc. that are subject to contribution, and the provisions of the preceding two paragraphs apply.
- (4) The provisions of the preceding paragraph apply *mutatis mutandis* in cases in which the property related to investment trust beneficial interests, etc. that is deemed to be investment trust beneficial interests, etc. that are subject to contribution pursuant to the provisions of that paragraph (including as applied *mutatis mutandis* pursuant to this paragraph) is to be invested or contributed in another investment trust beneficial interests, etc.

(Important Matters That Impact Customers' Decisions)

Article 269 The matters specified by Cabinet Office Order as prescribed in Article 18, paragraph (1), item (vi) of the Order are as follows:

- (i) the facts concerning material matters on financial instruments transaction contracts related to intermediation for financial instruments, which are to be disadvantageous to customers; and
- (ii) if an entrusting financial instruments business operator, etc. is a member of a financial instruments firms association (limited to an association that has persons conducting business related to the content of the financial instruments intermediary services as principal association members or members), that fact and the name of the financial instruments firms association.
- (iii) in cases of making an advertisement, etc. on the acts of financial instruments intermediation for cryptoassets, the following matters:
  - (a) the fact that cryptoassets are not in Japanese currency or foreign currency; and
  - (b) the fact that cryptoassets can be used for payment of consideration limited to cases in which there is consent of the person who is to receive payment of consideration.

(Means Equivalent to Broadcasting by Using Broadcasting Facilities of Basic Broadcasters)

Article 270 (1) The means specified by Cabinet Office Order as prescribed in Article 18, paragraph (2) of the Order are as follows:

- (i) means of broadcasting using the broadcasting facilities of a private

- broadcaster;
  - (ii) means of having the customers inspect the content of information recorded in the files stored on the computer to be used by a financial instruments intermediary service provider or a person that has been entrusted the business related to advertisement, etc. to be made by the financial instruments intermediary service provider (limited to matters that are the same as those provided by means of broadcasting using the broadcasting facilities of a basic broadcaster or the means set forth in the preceding item) via a telecommunications line; or
  - (iii) means of having the public present the matters indoor or outdoor constantly or continuously for a fixed period, which are posted or presented on signboards, standing signboards, labels and placards, advertising towers, billboards, buildings or other structures, etc., or other means similar to them.
- (2) The matters specified by Cabinet Office Order as prescribed in Article 18, paragraph (2), item (ii) of the Order are the matters set forth in Article 266, item (iii), (d) and item (iii) of the preceding Article.

(Matters for Which Exaggerated Advertisement is Prohibited)

Article 271 The matters specified by Cabinet Office Order as prescribed in Article 66-10, paragraph (2) of the Act are as follows:

- (i) the matters concerning cancellation of a financial instruments transaction contract related to intermediation for financial instruments (including the matters related to the provisions of Article 37-6, paragraphs (1) through (4) of the Act);
- (ii) the matters on bearing all or a part of a loss or a guarantee of profit concerning a financial instruments transaction contract related to intermediation for financial instruments;
- (iii) the matters concerning amount of liquidated damages (including penalties) in connection with a financial instruments transaction contract related to intermediation for financial instruments;
- (iv) the matters on a financial instruments market or a similar market located in a foreign country concerning financial instruments transaction contracts related to intermediation for financial instruments;
- (v) the matters concerning financial resources or credibility of an entrusting financial instruments business operator, etc.;
- (vi) the matters concerning results of financial instruments business conducted by an entrusting financial instruments business operator, etc. (for a registered financial institution, registered financial institution business);
- (vii) the matters concerning the amount of fees, etc. required to be paid by customers in connection with financial instruments transaction contracts related to intermediation for financial instruments or their calculation

- method, and the means and timing of the payment, and the payee of those fees, etc.;
- (viii) if a financial instruments intermediary service provider is to make an advertisement, etc. of the purchase and sale or other transactions for mortgage securities, etc. related to intermediation for financial instruments, the following matters:
    - (a) the matters concerning certainty or guarantee of the payment of principal and interest on the claims stated in the mortgage securities, etc. related to intermediation for financial instruments;
    - (b) the matters concerning recommendation to an entrusting financial instruments business operator, etc.;
    - (c) the matters on interest; and
    - (d) the matters concerning the subject matter of a mortgage stated in the mortgage securities, etc. related to intermediation for financial instruments;
  - (ix) if a financial instruments intermediary service provider is to make an advertisement, etc. on investment advisory contracts related to intermediation for financial instruments, the matters on the content of advice and method of giving advice;
  - (x) if a financial instruments intermediary service provider is to make an advertisement, etc. on discretionary investment contracts related to intermediation for financial instruments, the matters on the content of investment decisions and method of making investment decisions; and
  - (xi) if a financial instruments intermediary service provider is to make an advertisement, etc. on public offering or private placement of the rights set forth in Article 7, item (iv), sub-item (d), 1., the matters on bloodlines of the racehorses and situation of the management of breeding them.
  - (xii) if a financial instruments intermediary service provider is to make an advertisement, etc. on the acts of financial instruments intermediation for electronically recorded transferable rights to be indicated on securities, etc., the following matters:
    - (a) the nature of the electronically recorded transferable rights to be indicated on securities, etc.; and
    - (b) the matters on the mechanism for holding and transferring the electronically recorded transferable rights to be indicated on securities, etc.; and
  - (xiii) if a financial instruments intermediary service provider is to make an advertisement, etc. on the acts of financial instruments transactions for cryptoassets:
    - (a) the nature of the cryptoassets;
    - (b) the matters on the mechanism for holding and transferring cryptoassets;

- (c) the matters on changes in transaction volumes or prices of cryptoassets or their prospects;
- (d) the matters on the content of the rights and obligations indicated on cryptoassets; and
- (e) the matters on financial resources or creditability of the person who issues or intends to issue cryptoassets, the debtor related to the rights indicated on cryptoassets, or the person who may have a material impact on the value or mechanism of cryptoassets, or business conducted by that person.

(Matters to Be Clearly Indicated)

Article 272 The matters specified by Cabinet Office Order as prescribed in Article 66-11, item (iv) of the Act are as follows:

- (i) if a financial instruments intermediary service provider has two or more entrusting financial instruments business operators, etc., and the amount of money or fees, etc. required to be paid by customers for transactions to be conducted by customers is different depending on the entrusting financial instruments business operator, etc., that fact;
- (ii) in conducting investment advisory business, if a financial instruments intermediary service provider conducts intermediation for financial instruments (limited to the acts set forth in Article 2, paragraph (11), items (i) through (iii) of the Act; hereinafter the same applies in this Article) to customers of investment advisory business (excluding cases in which the amount of fees, etc. for intermediation for financial instruments during a certain period has been fixed regardless of the number of times the intermediation for financial instruments has been performed, and the service provider has clearly indicated the type or amount of the fees, etc. to customers in advance), the amount of the fees, etc. to be received through the intermediation for financial instruments (if the amount of fees, etc. has not been fixed in advance, the calculation method of the fees, etc.);
- (iii) if there are two or more entrusting financial instruments business operators, etc., the trade name or name of the entrusting financial instruments business operator, etc. that will be the counterparty to the customer's transaction.

(Persons Excluded from Persons Considered to Have a Close Relationship With Financial Instruments Intermediary Service Providers)

Article 273 The persons specified by Cabinet Office Order as prescribed in the non-itemized part of Article 18-2 of the Order are as follows:

- (i) a financial instruments business operator (limited to an operator that conducts securities, etc. management business);

- (ii) a bank;
- (iii) a cooperative financial institution;
- (iv) an insurance company;
- (v) a trust company; and
- (vi) The Shoko Chukin Bank Limited.

(Exemption from Prohibition of Solicitation for Purchase and Sale of Securities on Condition of Granting Credit)

Article 274 The acts specified by Cabinet Office Order as prescribed in Article 66-14, item (i), sub-item (f) of the Act are the acts of becoming entrusted, etc. with purchase and sale of securities on the condition of granting credit (limited to entrustment, etc. related to financial instruments intermediary service; the same applies in item (i)), which satisfy all of the following requirements:

- (i) the act of becoming entrusted, etc. with purchase and sale of securities by an individual who has presented a voucher, etc. or notified a voucher, etc., and the individual makes a lump-sum payment of the amount equivalent to the consideration for the securities within a period that is shorter than two months and the amount is delivered to the entrusting financial instruments business operator, etc. (limited to a person that conducts securities, etc. management business; the same applies in item (iii));
- (ii) the credit granted to the same person does not exceed 100,000 yen;
- (iii) the purchase and sale of the securities is conducted under a contract for cumulative investment (meaning a contract in which an entrusting financial instruments business operator, etc. receives money on deposit from a customer and sells securities to that customer continuously on the date designated in advance using the money as consideration, which satisfies all of the following requirements):
  - (a) the contract provides for the type of the securities and the method of appropriating money on deposit for making purchases, as a method of purchasing securities;
  - (b) as a method for managing money on deposit, the contract provides that the money paid by the customer and the fruits derived from securities deposited by the customer, and the money on deposit of an entrusting financial instruments business operator, etc. accrued due to acceptance of redemption are to be treated as cumulative investment deposit, and that accounting of the cumulative investment deposit is to be managed separately from other money on deposit;
  - (c) if securities are purchased jointly with another customer or an entrusting financial instruments business operator, the contract provides that it becomes certain that the customer acquires the sole ownership of the securities purchased at the time the code and number of securities have



- been identified;
- (d) the contract provides that the deposited securities (limited to those co-owned by the entrusting financial instruments business operator and a customer) are to be managed separately from other securities as a method for managing securities; and
- (e) the contract is to be canceled when requested by customers.

(Prohibited Acts of Financial Instruments Intermediary Service Providers  
Concerning Financial Instruments Intermediary Services)

Article 275 (1) The acts specified by Cabinet Office Order as prescribed in Article 66-14, paragraph (2), item (iii) of the Act are as follows:

- (i) an act of making a false representation, or to make a representation that may lead to material matters being misunderstood, in connection with intermediation for financial instruments;
- (ii) an act of promising a customer or a person the customer has designated to provide special benefits, or to provide special benefits to a customer or a third party (including an act of having a third party promise to provide special benefits or having a third party provide special benefit), in connection with intermediation for financial instruments;
- (iii) an act of using fraudulent means, or committing an assault or making a threat, in connection with intermediation for financial instruments;
- (iv) an act of refusing to perform all or part of intermediation for financial instruments under a financial instruments transaction contract, or unreasonably delaying the intermediation, related to the intermediation for financial instruments;
- (v) an act of soliciting a customer (limited to an individual, if the intermediation for financial instruments is related to an act other than purchase and sale or other transactions of mortgage securities, etc. and purchase and sale of beneficial interest in commodity fund, and other than the contract set forth in Article 16-4, paragraph (1), item (i) and items of paragraph (2) of the Order) by making a phone call or by making a visit at a time that would be annoying to the customer;
- (vi) an act of gathering customers (excluding professional investors) and soliciting them to conclude a financial instruments transaction contract prescribed in Article 38, item (iv) of the Act (excluding a contract related to transactions set forth in Article 116, paragraph (1), item (iii), sub-items (a) and (b)), without clearly indicating to them that the purpose is to solicit the conclusion of the financial instruments transaction contract in advance;
- (vi)-2 an act of using a means specified in the following sub-items when confirming with a customer that is an individual (excluding a person that has opened an account for the transactions of securities or derivative

- transactions with the entrusting financial instruments business operator, etc. that is to become a counterparty to the financial instruments transaction contract to be solicited, and a person that has concluded a commodity transaction contract provided for in Article 30 of the Order for Enforcement of the Financial Futures Trading Act with the entrusting financial instruments business operator, etc.) whether the customer wishes to be solicited the conclusion of a financial instruments transaction contract provided for in Article 38, item (v) of the Act (limited to the solicitation related to the transactions specified in Article 16-4, paragraph (2), item (i), sub-item (e) of the Order), before the solicitation:
- (a) making a visit or phone call;
  - (b) to gather customers without clearly indicating to them that the purpose is solicitation in advance;
  - (vii) an act to solicit a customer (excluding a professional investor) to conclude a financial instruments transaction contract provided for in Article 38, item (vi) of the Act (excluding those related to the transactions specified in Article 116, paragraph (1), item (iii), sub-items (a) and (b)), notwithstanding the fact that the customer has manifested the intention not to conclude the financial instruments transaction contract (including manifesting the intention that they do not wish to be solicited to conclude the financial instruments transaction contract) in advance;
  - (viii) an act to conduct purchase and sale or other transactions of securities, market derivatives transactions or foreign market derivatives transactions, on the customer's account, without the customer's prior consent;
  - (ix) an act of a financial instruments intermediary service provider that is an individual, or an officer (if the officer is a corporation, including a member that is to perform its duties) or employee (limited to an employee to be engaged in financial instruments intermediary services) of a financial instruments intermediary service provider to conduct purchase and sale or other transactions of securities, solely for the purpose of pursuing speculative profit;
  - (x) an act of accepting a customer's application for an intermediary service for purchase and sale or other transactions of the securities, an application for an intermediary service for entrustment of purchase and sale of securities on financial instruments exchange market or foreign financial instruments market, or an application for an intermediary service for entrustment of market derivatives transactions or foreign market derivatives transactions, knowing that purchase and sale or other transactions of securities, or market derivatives transactions or foreign market derivatives transactions by the customer violates or is likely to violate the provisions of Article 166, paragraph (1) or (3) or Article 167, paragraph (1) or (3) of the Act;

- (xi) concerning an intermediary service for purchase and sale or other transactions of securities, an intermediary service for entrustment of purchase and sale of securities on financial instruments exchange markets or foreign financial instruments markets, or an intermediary service for entrustment of a transaction set forth in Article 28, paragraph (8), item (iii) of the Act or a transaction set forth in Article 2, paragraph (21), item (v) of the Act (limited to a transaction concerning securities; the same applies in the following item), an act of soliciting customers by providing undisclosed information of the issuer of the securities on the decision on launch or suspension (excluding those that satisfy the standards prescribed in the proviso to Article 167, paragraph (2) of the Act; the same applies in the following item) of the tender offer prescribed in Article 27-2, paragraph (1) of the Act (limited to cases in which the provisions of the main clause of that paragraph apply; the same applies in the following item), the buying-up of share certificates, etc. equivalent to that (meaning the share certificates, etc. prescribed in that paragraph; the same applies in the following item), and the tender offer prescribed in Article 27-22-2, paragraph (1) of the Act (limited to cases in which the provisions of the main clause of that paragraph apply; the same applies in the following item);
- (xi)-2 concerning an intermediary service for purchase and sale or other transactions of securities, an intermediary service for entrustment of purchase and sale of securities on financial instruments exchange markets or foreign financial instruments markets, or an intermediary service for entrustment of a transaction specified in Article 28, paragraph (8), item (iii) of the Act or a transaction set forth in Article 2, paragraph (21), item (v) of the Act (hereinafter purchase and sale of securities, purchase and sale of securities in financial instruments exchange markets or foreign financial instruments markets, or transactions set forth in Article 28, paragraph (8), item (iii) of the Act or those set forth in Article 2, paragraph (21), item (v) of the Act are collectively referred to as "purchase and sale, etc."), an act of soliciting customers to make the purchase and sale, etc. for the purpose of having the customer gain profit or avoid causing loss for the customer by having them make the purchase and sale, etc. before the information related to the decision on launch or suspension of the tender offer prescribed in the provisions of Article 27-2, paragraph (1) of the Act by the issuer of the securities, buying-up of share certificates, etc. equivalent to that, and tender offer prescribed in Article 27-22-2, paragraph (1) of the Act (excluding the act set forth in the preceding item);
- (xii) an act of a financial instruments intermediary service provider or their officer (if the officer is a corporation, including members that are to perform its duties) or employee to receive from their parent corporation, etc. or

subsidiary corporation, etc. information on trend of orders related to the customer's purchase and sale of securities or market derivatives transactions or foreign market derivatives transactions or other special information (excluding information related to foreign corporations (including a foreign organization that is not a corporation for which a representative or manager has been designated)), which the officer or employee of the financial instruments intermediary service provider, or the officer or employee of their parent corporation, etc. or subsidiary corporation, etc. has come to know in the course of duties, or to provide the information to their parent corporation, etc. or subsidiary corporation, etc. (excluding cases in which the customer has given prior written consent for the provision of the special information by the financial instruments intermediary service provider, their parent corporation, etc. or subsidiary corporation, etc., or officers or employees of the corporations, etc., the parent corporation, etc. or subsidiary corporation, etc. is the entrusting financial instruments business operator, etc. and the information set forth in Article 123, paragraph (1), item (xviii), sub-items (a) through (c) is received and the information set forth in Article 281, item (xii), sub-items (a) through (c) is provided, and in which the financial institution agency service is performed based on entrustment by the principal financial institution that is the parent bank, etc. or subsidiary bank, etc. and the information set forth in item (i) or (ii) of the following paragraph is received or the information set forth in item (iii) or (iv) of that paragraph is provided), or to solicit for purchase and sale or other transactions of securities, market derivatives transactions, or foreign market derivatives transactions (excluding brokerage for clearing of securities, etc.) by using the special information obtained from the parent corporation, etc. or subsidiary corporation, etc. (excluding information that the parent corporation, etc. or subsidiary corporation, etc. has provided with the customer's prior written consent);

- (xiii) an act of soliciting unspecified and many customers to make an application for intermediary services for purchase or sale of securities of a specified and small number of issues or intermediary services for their entrustment, or intermediary services for entrustment of market derivatives transactions of a specified and small number of issues, at the same time and in an excessively aggressive manner, continuously over a certain period, which is likely to hinder the formation of a fair price (for market derivatives transactions, the matter equivalent to the price);
- (xiv) an act of soliciting unspecified and many customers to make an application for intermediary services for purchase or sale of securities or intermediary services for their entrustment, or an application for intermediary services for the entrustment of market derivatives transactions,

- at the same time and in an excessively aggressive manner, continuously over a certain period, for the purpose of taking advantage of fluctuations in prices, indexes, figures, or the amount of consideration based on customers' transactions and thereby to gain their own profit or profit of customers other than the customer;
- (xv) an act of providing an intermediary service for purchase or sale of listed financial instruments, etc. or over-the-counter traded securities or intermediary services for their entrustment, or intermediary services for the entrustment of market derivatives transactions, knowing that causing fluctuation, pegging, fixing, or stabilizing the quotation of, or the figures calculated based on the quotations or transaction volumes of, the listed financial instruments, etc. on a financial instruments exchange market or over-the-counter traded securities on over-the-counter securities market, or increasing the transaction volumes will result in creating manipulative quotations that do not reflect the actual market status;
  - (xvi) an act of providing customers (excluding professional investors) intermediary services for purchase, intermediary services for entrustment related to purchase of the securities on financial instruments exchange markets or foreign financial instruments markets, without explaining that the foreign company statement, etc. related to securities is to be prepared in English, or without delivering a document stating that fact (excluding the cases in which the explanation has been given, and, the document has been delivered to the customer within one year before the day of the act);
  - (xvii) an act of providing intermediary service for purchase and sale of mortgage securities, etc. by means other than indorsement;
  - (xviii) if conducting investment advisory business, for the purpose of completing purchase and sale or other transactions of securities, market derivatives transactions, or foreign market derivatives transactions conducted by a customer based on advice related to the investment advisory business, or having the customer conduct reversing trade, an act of soliciting purchase and sale or other transactions of securities, market derivatives transactions, or foreign market derivatives transactions to customers other than the customer;
  - (xix) if conducting investment management business, for the purchase and sale or other transactions of securities, market derivatives transactions, or foreign market derivatives transactions conducted as the investment of investment property concerning the investment management business, or having the customer conduct reverse trading, an act of soliciting purchase and sale or other transactions of securities, market derivatives transactions, or foreign market derivatives transactions to customers other than the right holder of the investment property;

- (xx) if conducting defined contribution pension management services (meaning the defined contribution pension management service as defined in Article 2, paragraph (7) of the Defined Contribution Pension Act; the same applies in the following item), an act of soliciting purchase and sale or other transactions of securities, market derivatives transactions, or foreign market derivatives transactions to customers other than subscribers, etc. by using information on investment instructions (limited to instructions related to purchase and sale of securities; the same applies in the following item) of subscribers, etc. (meaning the subscribers, etc. as defined in Article 2, paragraph (7), item (i), sub-item (a) of that Act; the same applies in the following item) related to the defined contribution pension management services;
- (xxi) if conducting defined contribution pension management services, for the purpose of concluding purchase and sale of securities made based on investment instructions of subscribers, etc. related to the defined contribution pension management services, an act of soliciting purchase and sale or any other transaction of securities, market derivatives transactions or foreign market derivatives transactions to customers other than those subscribers, etc.;
- (xxii) if conducting trust business, etc. (meaning the trust business as defined in Article 2, paragraph (1) of the Trust Business Act, the trust agreement agency business as defined in paragraph (8) of that Article, the property management business as prescribed in Article 21, paragraph (1) of that Act or a business conducted based on entrustment of trust business by a trust company (meaning the trust company as defined in Article 2, paragraph (2) of that Act) based on Article 22, paragraph (1) of that Act; the same applies in the following item), an act of soliciting entrustment, etc. of purchase and sale or other transactions of securities, market derivatives transactions, or foreign market derivatives transactions by using information on purchase and sale or other transactions of securities, market derivatives transactions, or foreign market derivatives transactions related to the management or disposition of trust property based on the trust business, etc.;
- (xxiii) if conducting trust business, etc., an act of soliciting purchase and sale or other transactions of securities, market derivatives transactions, or foreign market derivatives transactions (excluding brokerage for clearing of securities, etc.) to customers other than the customer related to the trust agreement, for the purpose of completing purchase and sale or other transactions of securities, market derivatives transactions, or foreign market derivatives transactions, or having customers conduct reversing trade;
- (xxiv) if conducting financial institution agency services (including agency services for business related to the authorization referred to in Article 42,

paragraph (3) of the Enhancement and Restructuring Act; the same applies in the following item and item (xxvi)), an act of conducting the acts set forth in the items of Article 2, paragraph (11) of the Act (excluding those conducted through the act set forth in item (ii)), on the condition of conducting agency or intermediation services for concluding a contract for loan of funds or discount of negotiable instruments;

(xxv) if conducting financial institution agency services, an act by a financial instruments intermediary service provider engaged in financial instruments intermediary service or their officer (if the officer is a corporation, including members that are to perform its duties) or employee of receiving undisclosed loan information, etc. (undisclosed information concerning business conducted by customers a financial instruments intermediary service provider engaged in financial institution agency service operations (including business related to agency or intermediation services for concluding a contract for lending funds or discounting bills for business among agency services for business related to the authorization referred to in Article 42, paragraph (3) of the Enhancement and Restructuring Act; hereinafter the same applies in this item, the following item, and Article 281, item (ix)) or their officer or employee has come to know in the course of duties and other special information which are found to have an impact on the customers' investment decisions on business of the securities solicited by the financial instruments intermediary service provider engaged in financial instruments intermediary services or their officer or employees, or information on the trend of customers' orders on purchase and sale of securities, market derivatives transactions, or foreign market derivatives transactions or other special information which a financial instruments intermediary service provider engaged in financial instruments intermediary service or their officer or employee has come to know in the course of duties which is found to have a material impact on financial institution agency service operations related to the issuers of those securities; hereinafter the same applies in this item and Article 281, item (ix)) of customers that are issuers of securities (meaning the securities prescribed in Article 117, paragraph (1), item (xxxi); hereinafter the same applies in this item) from a financial instruments intermediary service provider engaged in financial institution agency service operations or their officer or employee, or providing the undisclosed loan information, etc. to a financial instruments intermediary service provider engaged in financial institution agency service operations (excluding the following cases):

- (a) when undisclosed loan information, etc. is to be provided by obtaining the prior written consent from the customer;
- (b) when it is found necessary to receive undisclosed loan information, etc.

- from a financial instruments intermediary service provider engaged in financial institution agency service operations or their officer or employee, in order to comply with laws and regulations related to financial instruments intermediary services; or
- (c) when undisclosed loan information, etc. is provided to the financial instruments intermediary service provider supervising the operation of the organ that carries out financial instruments intermediary services (limited to the organ that carries out financial institution agency service operations together with financial instruments intermediary service; the same applies in Article 281, item (ix)) or their officer or employee;
- (xxvi) if conducting financial institution agency services, an act by a financial instruments intermediary service provider engaged in financial institution agency service operations or their officer or employee of conducting purchase and sale or other transactions of securities, market derivatives transactions, or foreign market derivatives transactions (excluding brokerage for clearing of securities, etc.) based on undisclosed information that they have come to know in the course of duties and which is found to have an impact on investment decisions concerning securities;
- (xxvii) if an entrusting financial instruments business operator (meaning a financial instruments business operator that conducts type I financial instruments business which entrusts financial instruments intermediation operations to a financial instruments intermediary service provider; hereinafter the same applies in this item) is to become an underwriter of securities (meaning the securities prescribed in Article 117, paragraph (1), item (xxxi)) issued by a person owing a debt to the parent corporation, etc. or subsidiary corporation, etc. of the entrusting financial instruments business operator, etc., or an underwriter of treasury shares to be disposed, and the financial instruments intermediary service provider conducts the act set forth in Article 2, paragraph (11), item (i) of the Act related to the securities (limited to an act related to the case in which the securities are to be sold during the period between the day when the entrusting financial instruments business operator has become an underwriter and the day on which six months have passed) or the act set forth in item (iii) of that paragraph, knowing that the proceeds from those securities (if the entrusting financial instruments business operator, etc. conducts the acts set forth in Article 2, paragraph (6), item (iii) of the Act, including securities acquired by the exercise of the share options prescribed in that item; hereinafter the same applies in this item) are to be appropriated for the payment of the debt related to the borrowing, and without informing the customers of the circumstances;
- (xxviii) an act of recommending a customer (excluding a professional investor)



- to make the quantity and due date for sale, purchase, or other equivalent transactions in commodity-related market derivatives transactions conducted by them the same as those for a corresponding transaction (meaning a transaction that would reduce the loss arising from those transactions) concerning intermediation for financial instruments (limited to acts related to commodity-related market derivatives transactions);
- (xxix) upon concluding or soliciting for conclusion of a cryptoasset-related contract (meaning a contract prescribed in Article 43-6, paragraph (2) of the Act as applied *mutatis mutandis* pursuant to Article 66-15 of the Act; the same applies in the following item), or upon placing an advertisement, etc. for financial instruments intermediary service that they conduct (limited to services concerning acts related to financial instruments intermediation for cryptoassets; the same applies in item (xxxiii)), an act of making a representation for matters set forth in Article 271, items (v) through (vii) or item (xiii), sub-items (a) through (e), without indicating reasonable grounds that support the representation to customers (excluding financial instruments business operators, etc. (limited to those that conduct acts of financial instruments transactions for cryptoassets on a regular basis) and cryptoasset exchange service providers, etc.; the same applies in the following item);
- (xxx) an act of soliciting a customer to conclude a cryptoasset-related contract without clearly and accurately indicating the matters set forth in Article 269, item (iii), sub-items (a) and (b) (if delivering a document or using other equivalent methods, including not indicating the letters or numbers for the matters in a size that does not substantially differ from the size of the largest letters or numbers for matters other than those matters);
- (xxxi) while knowing that a customer is likely to conduct a market derivatives transaction or foreign market derivatives transaction in violation of the provisions of Article 185-22, paragraph (1), Article 185-23, paragraph (1), or Article 185-24, paragraph (1) or (2) of the Act (including a transaction to be conducted in relation to an act violating these provisions), an act of accepting the customer's application for an intermediary service for those transactions;
- (xxxii) while knowing that causing fluctuations in the quotations of cryptoassets or the figures calculated based on the quotations or transaction volumes, or increasing the transaction volumes will lead to manipulative quotations not reflecting actual market status, the act of conducting intermediary services for entrustment of market derivatives transaction for the cryptoassets, etc.; and
- (xxxiii) an act of transmitting to a third party or utilizing material information on cryptoassets, etc. related to purchase and sale or other transactions of securities that the financial instruments business operator, etc. uses or

- intends to use as the subject of financial instruments business, etc. or concerning the entrusting financial instruments business operator, etc., which is found to have an impact on customers' decisions on purchase and sale or other transactions of securities related to cryptoassets, etc. (excluding cases in which the material information has been made readily accessible to all customers of the financial instruments business, etc. conducted by the entrusting financial instruments business operator, etc.) for the purpose of gaining their own profit or profit of the third party (excluding the acts that are required for properly and securely performing financial instruments intermediary service conducted by the financial instruments intermediary service provider).
- (2) The information to be received from the principal financial institutions that fall under a parent bank, etc. or subsidiary bank, etc. referred to in item (xii) of the preceding paragraph, or information to be provided to those principal financial institutions is as follows:
- (i) information on the financial institution agency services to be conducted by a financial instruments intermediary service provider, based on entrustment by the principal financial institution that is their parent bank, etc. or subsidiary bank, etc.;
  - (ii) information which is found necessary to be received by a financial instruments intermediary service provider, in order to comply with laws and regulations related to financial institution agency services conducted based on entrustment by the principal financial institution that is their parent bank, etc. or subsidiary bank, etc.;
  - (iii) information which is found necessary to be provided to the principal financial institutions, in order for a financial instruments intermediary service provider to conduct financial institution agency services to be conducted based on entrustment by the principal financial institution that is their parent bank, etc. or subsidiary bank, etc.; and
  - (iv) information that a financial instruments intermediary service provider has come to know in conducting financial institution agency services that they conduct based on entrustment by the principal financial institution that is their parent bank, etc. or subsidiary bank, etc., which is found necessary to be provided to the principal financial institution in order for the financial instruments intermediary service provider to comply with laws and regulations.
- (3) The provisions of paragraph (1), item (xv) do not apply if intermediary services for a series of purchase and sale, etc. of securities is to be provided, if the series of purchase and sale, etc. of securities is conducted on a financial instruments exchange market or an over-the-counter securities market in order to facilitate public offering of securities (limited to a public offering made to 50

or more persons) or solicitation for acquisition only for professional investors (limited to a solicitation made to 50 or more persons), secondary distribution of securities (limited to secondary distribution made to 50 or more persons) or solicitation for selling, etc. only for professional investors (limited to solicitation made to 50 or more persons).

(Persons Excluded from General Investors)

Article 275-2 (1) The persons specified by Cabinet Office Order as prescribed in Article 66-14-2 of the Act are as follows:

- (i) a person that is a director, etc. (meaning a director, company auditor, executive officer, board member, auditor or other persons equivalent to them) of the issuer of the securities for professional investors, and, holds voting rights exceeding 50 percent of the voting rights held by all the shareholders, etc. of the issuer (including the voting rights related to shares or contribution that may not be duly asserted against an issuer pursuant to the provisions of Article 147, paragraph (1) or Article 148, paragraph (1) of the Act on Book-Entry Transfer of Corporate Bonds and Shares (including as applied mutatis mutandis pursuant to Article 228, paragraph (1), Article 235, paragraph (1), Article 239, paragraph (1), and Article 276 (limited to the part related to item (ii))); hereinafter referred to as "subject voting rights" in this Article) under their own name or other person's name (hereinafter the person is referred to as "specified officer" in this Article), or the controlled corporation, etc. of the specified officer (the corporation excludes the issuer);
- (ii) a company that holds subject voting rights exceeding 50 percent of the voting rights held by all the shareholders, etc. of the issuer of the securities for professional investors (excluding persons set forth in the preceding item) under its own name or other person's name;
- (iii) an officer, etc. of the issuer of the securities for professional investors (the securities are limited to the following securities) (limited to a person that conducts purchase of the securities for professional investors (limited to a purchase made based on a contract which provides that the officer, etc., jointly with other officers, etc. of the issuer, continuously conducts purchases in accordance with a fixed plan, not based on individual investment decisions, and by the amount to be contributed by each of the officers, etc. at one time is less than one million yen), and excluding the person set forth in item (i)):
  - (a) the securities set forth in Article 2, paragraph (1), item (ix) of the Act;
  - (b) investment securities, certificates of investment equity subscription rights, or foreign investment securities similar to investment securities or certificates of investment equity subscription rights, among the securities set forth in Article 2, paragraph (1), item (xi) of the Act;
  - (c) the securities set forth in Article 2, paragraph (1), item (xvii) of the Act,

- which have the nature of the securities set forth in item (ix) of that paragraph;
- (d) the certificates of a beneficial interest in a securities trust whose entrusted securities are the securities set forth in sub-items (a) through (c); and
  - (e) the securities set forth in Article 2, paragraph (1), item (xx) of the Act which indicate the right related to the securities set forth in sub-item (a) or (b).
- (2) If the subject voting rights held by the specified officer and their controlled corporation, etc. together under their own names or the names of other persons, exceed 50 percent of the voting rights held by all the shareholders, etc. of another corporation, etc. (meaning a corporation or other organizations; hereinafter the same applies in this Article), the other corporation, etc. is deemed to be the controlled corporation, etc. of the specified officer, and the provisions of item (i) of the preceding paragraph and this paragraph apply.
- (3) The term "controlled corporation, etc." as used in paragraph (1), item (i) and the preceding paragraph means the other corporation, etc. when the subject voting rights exceeding 50 percent of the voting rights held by all the shareholders, etc. of another corporation, etc. are held by a specified officer under their own name or the name of another person.
- (4) The term "officer, etc." as used in paragraph (1), item (iii) means the officer, etc. prescribed in Article 1-3-3, item (v) of the Order.

(Exceptions to Restrictions on Intermediary Services for Purchase and Sale of Securities for Professional Investors)

Article 275-3 The cases specified by Cabinet Office Order as prescribed in Article 66-14-2 of the Act are those in which a financial instruments intermediary service provider provides intermediary services for entrusting financial instruments business operator, etc. concerning entrustment of sale on a financial instruments exchange market or foreign financial instruments exchange market to be conducted by the general investor, not based on solicitation to general investors (meaning a general investor prescribed in that Article; hereinafter the same applies in this Article).

(Problematic Conduct)

Article 276 The cases specified by Cabinet Office Order as prescribed in Article 39, paragraph (3) of the Act as applied mutatis mutandis pursuant to Article 66-15 of the Act are the cases in which a financial instruments intermediary service provider or its representative, etc. has conducted any of the following acts concerning the business of the financial instruments intermediary service provider, and has caused a loss to a customer in connection with the purchase

and sale or other transaction of securities, etc. (meaning the purchase and sale or other transaction of securities, etc. prescribed in Article 39, paragraph (1), item (i) of the Act; the same applies in this Article);

- (i) an act of providing intermediary services for purchase and sale or other transactions of securities, etc. on the customer's account, without confirming the content of the customer's order;
- (ii) an act of soliciting a customer in a manner that would lead the customer to misunderstand any of the following matters:
  - (a) the nature of the securities, etc. (meaning the securities, etc. prescribed in Article 39, paragraph (1), item (i) of the Act as applied *mutatis mutandis* pursuant to Article 66-15 of the Act);
  - (b) the conditions of trading;
  - (c) whether the price of the financial instruments or the amount of consideration for the options has risen or fallen, whether the agreed figure or the actual figure for a transaction set forth in Article 2, paragraph (21), item (ii) of the Act (including foreign market derivatives transactions similar to the transaction) has risen or fallen, whether the financial index related to the transaction set forth in item (iv) or item (iv)-2 of that Article has risen or fallen or the prices of financial instruments has risen or fallen, or whether an event set forth in item (v), sub-item (a) or (b) of that paragraph has occurred in connection with the transaction set forth in item (v) of that paragraph;
- (iii) to make errors in clerical work due to negligence, at the time of providing intermediary services for purchase and sale or other transactions of securities, etc. conducted on the customer's account;
- (iv) to erroneously provide intermediary services for purchase and sale or other transactions of securities, etc. conducted on the customer's account, due to malfunctioning of the electronic data processing system; or
- (v) to commit other acts violating laws and regulations.

(Cases that Does Not Require Confirmation of Problematic Conducts)

Article 277 (1) The cases specified by Cabinet Office Order as prescribed in the proviso to Article 39, paragraph (3) of the Act as applied *mutatis mutandis* pursuant to Article 66-15 of the Act are as follows:

- (i) if a final and binding judgment has been issued by the court;
- (ii) if a judicial settlement (excluding a judicial settlement prescribed in Article 275, paragraph (1) of the Code of Civil Procedures) has been reached;
- (iii) if a conciliation prescribed in Article 16 of the Civil Conciliation Act has been reached, or a court order has been issued pursuant to the provisions of Article 17 of that Act, and, no objection was filed within the period specified in Article 18, paragraph (1) of that Act;

- (iv) if a settlement has been reached through mediation by a financial instruments firms association or a certified investor protection organization, or through dispute resolution procedures by a designated dispute resolution organization;
- (v) if a settlement has been reached through mediation by an organization specified in the bar association rules prescribed in Article 33, paragraph (1) the Attorneys Act or in rules specified under the bar association rules, or if an arbitral award by arbitration procedures taken before the organization has been issued;
- (vi) if a settlement has been reached through mediation prescribed in Article 19, paragraph (1) or Article 25 of the Consumer Basic Act, or if a resolution based on an agreement prescribed in that Article has been conducted;
- (vii) if a settlement has been reached through certified dispute resolution procedures taken by a certified dispute resolution business operator (meaning the certified dispute resolution business operator as defined in Article 2, item (iv) of the Act on Promotion of Use of Alternative Dispute Resolution, and limited to a case in which the dispute related to intermediation for financial instruments falls within the scope of the disputes prescribed in Article 6, item (i) of that Act);
- (viii) if a settlement has been reached, and the settlement meets all of the following requirements:
  - (a) an attorney or a judicial scrivener (limited to one who conducts the work set forth in Article 3, paragraph (1), item (vii) of the Judicial Scriveners Act; the same applies in the following item) has represented the customer in the settlement procedures;
  - (b) the amount to be paid by the entrusting financial instruments business operator, etc. to customers due to the settlement does not exceed ten million yen (if the judicial scrivener referred to in sub-item (a) is to represent the customer, the amount specified in Article 3, paragraph (1), item (vii) of the Judicial Scriveners Act); and
  - (c) a document or an electronic or magnetic record certifying that the attorney or judicial scrivener referred to in sub-item (a) has investigated and confirmed that the payment referred to in sub-item (b) is to be made to compensate all or part of the loss arising from problematic conduct has been delivered or provided to a financial instruments intermediary service provider and their entrusting financial instruments business operator, etc.
- (ix) if the amount to be paid to the customer concerning the loss arising from a problematic conduct has been determined between the entrusting financial instruments business operator, etc. and a financial instruments intermediary service provider, and the customer, and all of the following requirements are met (excluding the cases set forth in the preceding items):

- (a) the amount to be paid to the customer by the entrusting financial instruments business operator, etc. does not exceed ten million yen (if the committee prescribed in sub-item (b) consists only of members that are judicial scriveners, the amount specified in Article 3, paragraph (1), item (vii) of the Judicial Scriveners Act); and
  - (b) the fact that the payment referred to in sub-item (a) is to be made for compensating the loss arising from a problematic conduct has been investigated and confirmed by a committee set up within a financial instruments firms association (meaning a committee that consists of two or more members appointed by the financial instruments firms association (limited to persons that are attorneys or judicial scriveners that does not have a special vested interest in the entrusting financial instruments business operator, etc., the financial instruments intermediary service provider, and the customer, related to the problematic conduct));
  - (x) if a financial instruments intermediary service provider or their representative, etc. has caused a loss to a customer due to any of the acts set forth in the items of the preceding Article, and the amount of economic benefit to be offered, promised, or provided to a customer for the loss incurred by the customer for one day's transaction does not exceed the amount equivalent to 100,000 yen (excluding the cases set forth in the preceding items); and
  - (xi) if a financial instruments intermediary service provider or their representative, etc. has caused a loss to a customer due to any of the acts set forth in item (iii) or (iv) of the preceding Article (limited to cases in which it is obvious from the books and documents provided for in Article 46-2, Article 47, or Article 48 of the Act, the subsidiary book on financial instruments intermediary services set forth in Article 282, paragraph (1), item (i), or the record of the content of the customer's orders that the act is problematic conduct, and excluding the cases set forth in items (i) through (ix));
- (2) The benefit referred to in item (x) of the preceding paragraph is to be calculated by each category of the acts set forth in the items of the preceding Article. In such a case, for the amount of benefit related to the category of the act set forth in item (iii) or (iv) of that Article, the amount of economic benefit to be offered, promised, or provided for the case set forth in item (xi) of that paragraph is to be deducted.
- (3) In the case referred to in paragraph (1), items (ix) through (xi), if an entrusting financial instruments business operator, etc. has offered or promised to provide, or has provided economic benefit to the customer without obtaining the confirmation referred to in the proviso to Article 39, paragraph (3) of the Act as applied mutatis mutandis pursuant to Article 66-15, the entrusting financial instruments business operator, etc. must report the

matters set forth in the items of Article 279 to the Director-General of a Local Finance Bureau with jurisdiction over the locality of the head office, or other business office or office in which the problematic conduct related to the offer, promise, or provision has occurred, by no later than the last day of the month immediately following the month that includes the day of the offer, promise, or provision (if the locality falls within the jurisdictional area of the Fukuoka Local Finance Branch Bureau, to its Director-General; if the business operator does not have a business office or an office in Japan, to the Director-General of the Kanto Finance Bureau; the same applies in Article 278).

(Exemption from Application of Prohibition of Compensation of Loss)

Article 277-2 The investment trust specified by Cabinet Office Order as prescribed in Article 39, paragraph (4) of the Act as applied *mutatis mutandis* pursuant to Article 66-15 of the Act are the investment trust specified in Article 119-2.

(Application for Confirmation of Problematic Conduct)

Article 278 A person that seeks to obtain the confirmation referred to in the proviso to Article 39, paragraph (3) of the Act as applied *mutatis mutandis* pursuant to Article 66-15 of the Act must submit one original copy of the written application under the provisions of paragraph (7) of that Article and the document to be attached to that and a duplicate of each of those documents to the Director-General of a Local Finance Bureau with jurisdiction over the locality of the head office, or other business office or office in which the problematic conduct related to the confirmation has occurred.

(Matters to Be Stated in Written Applications for Confirmation)

Article 279 The matters specified by Cabinet Office Order as prescribed in Article 39, paragraph (7) of the Act as applied *mutatis mutandis* pursuant to Article 66-15 of the Act are as follows:

- (i) the trade name or name and the registration number of the entrusting financial instruments business operator, etc.;
- (ii) the name and location of the head office, or other business office or office in which the problematic conduct has occurred;
- (iii) the following matters concerning the fact for which the confirmation is sought:
  - (a) the trade name or name of the financial instruments intermediary service provider involved in the act that will be a problematic conduct, and the name of the representative, etc. and the name of the department;
  - (b) the name and domicile of the customer (if the customer is a corporation, its trade name or name, the location of the principal business office or



- office, and the name of its representative);
  - (c) an outline of the problematic conduct;
  - (d) the reasons indicating that the customer's loss to be compensated is due to problematic conduct; and
  - (e) the amount of economic benefit to be offered, promised, or provided.
- (iv) other information that should serve as a reference.

(Documents to Be Attached to Applications for Confirmation)

Article 280 (1) The documents specified by Cabinet Office Order as prescribed in Article 39, paragraph (7) of the Act as applied *mutatis mutandis* pursuant to Article 66-15 of the Act are the documents proving that the customer has confirmed the content of the matters set forth in the items of the preceding Article, and other materials that should serve as reference.

- (2) The provisions of the preceding paragraph do not apply if the written application under the provisions of Article 39, paragraph (7) of the Act as applied *mutatis mutandis* pursuant to Article 66-15 of the Act concerns the application referred to in item (ii), paragraph (1) of that Article.

(Circumstances in Which Status of the Operation of Business Is Likely to Be Contrary to Public Interest or Hinder the Protection of Investors)

Article 281 The circumstances specified by Cabinet Office Order as prescribed in Article 40, item (ii) of the Act as applied *mutatis mutandis* pursuant to Article 66-15 of the Act are as follows:

- (i) circumstances in which the financial instruments intermediary service provider frequently conducts intermediary services for purchase and sale of securities conducted on the customer's account or intermediary services for entrustment of purchase and sale of securities on a financial instruments exchange market or foreign financial instruments market conducted on the customer's account, or intermediary services for entrustment of market derivatives transactions or foreign market derivatives transactions conducted on the customer's account, without confirming the content of the customer's order in advance;
- (ii) circumstances in which the financial instruments intermediary service provider conducts intermediary services for purchase and sale of securities, intermediary services for entrustment of purchase and sale of securities on a financial instruments exchange market or foreign financial instruments market, or intermediary services for entrustment of market derivatives transactions or foreign market derivatives transactions for a person that has been entrusted with purchase and sale of securities, market derivatives transactions, or foreign market derivatives transactions through soliciting unspecified and many investors (excluding a person that conducts acts of

- financial instruments transactions in compliance with laws and regulations), knowing that the transactions are to be conducted on the investor's account and without confirming the investor's intention in advance;
- (iii) circumstances in which it is found that concerning the management of corporate information the financial instruments intermediary service provider handles or the management of customers' purchase and sale or other transactions of securities, market derivatives transactions, or foreign market derivatives transactions, the financial instruments intermediary service provider has not taken necessary and appropriate measures for preventing unfair transactions concerning corporate information;
  - (iv) circumstances in which it is found that when entrusting the security management of information on customers that are individuals which the financial instruments intermediary service provider handles, the supervision of employees, and the handling of the information, the financial instruments intermediary service provider has not taken measures necessary and appropriate for preventing the leakage, loss, or damage of the information;
  - (iv)-2 when a leakage, loss, or damage of the information on customers that are individuals a financial instruments intermediary service provider handles (limited to information falling under personal data prescribed in Article 16, paragraph (3) of the Act on the Protection of Personal Information) occurs or a situation in which the likelihood of the occurrence of a leakage, loss, or damage has arisen, circumstances in which it is found that the financial instruments intermediary service provider has not promptly made a report to the competent Director-General of a Local Finance Bureau, etc. or has not taken other appropriate measures;
  - (v) circumstances in which it is found that the financial instruments intermediary service provider has not taken measures to ensure that the information on customers that are individuals they handle concerning race, creed, family origin, registered domicile, health and medical care or criminal records, or other undisclosed and special information that they have come to know in the course of duties will not be used for purposes other than the ensuring proper operation of business or other purposes found to be necessary;
  - (vi) when soliciting a customer for a rollover of investment trust beneficiary certificates, etc., the financial instruments intermediary service provider has not given the customer (excluding a professional investor) an explanation on material matters regarding the rollover;
  - (vii) when the financial instruments intermediary service provider seeks to have other persons acquire the securities set forth in Article 2, paragraph (1), item (v) of the Act or item (xvii) of that paragraph (limited to those that have the nature of the securities set forth in any of items (i) through (v) of that

- paragraph), or sell them those securities through an act set forth in paragraph (8), item (ix) of that Article, circumstances in which the financial instruments intermediary service provider has not provided customers that are individuals (excluding a professional investor) with an explanation on material events that have occurred during the period for filing an application for acquiring or purchasing those securities, which have an impact on the customers' investment decisions;
- (viii) circumstances in which the management of an electronic data processing system used for financial instruments intermediary services is found to be insufficient;
- (ix) circumstances in which the financial instruments intermediary service provider that supervises the operations of the organ that conduct financial instruments intermediary services or their officer (if the officer is a corporation, including members that are to perform its duties) or employee has personally acquired undisclosed loan, etc. information on the customer that is the issuer of securities (meaning the securities specified in Article 117, paragraph (1), item (xxxi)), or has received the information from a financial instruments intermediary service provider or their officer or employee engaged in financial institution agency services, and is conducts any of the acts set forth in the items of Article 2, paragraph (11) of the Act related to those securities (including the circumstances in which the financial instruments intermediary service provider supervising the operations or their officer or employee provides a financial instruments intermediary service provider engaged in financial instruments intermediary services or their officer or employee with the customer's undisclosed loan information, etc. (excluding corporate information) without obtaining the customer's prior written consent);
- (x) when a financial instruments intermediary service provider establishes the head office or other business offices or offices in the same building as that of the head office, other business offices or offices, or agency office (including the business offices or other offices of a bank agent prescribed in Article 2, paragraph (15) of the Banking Act, a long-term credit bank agent prescribed in Article 16-5, paragraph (3) of the Long-Term Credit Bank Act, Shinkin Bank agent prescribed in Article 85-2, paragraph (3) of the Shinkin Bank Act, credit cooperative agent prescribed in Article 6-3, paragraph (3) of the Act on Financial Businesses by Cooperative, Labor Bank agent prescribed in Article 89-3, paragraph (3) of the Labor Bank Act, specific credit business agent prescribed in Article 92-2, paragraph (3) of the Agricultural Cooperatives Act, specific credit business agent prescribed in Article 106, paragraph (3) of the Fishery Cooperatives Act and Norinchukin Bank agent prescribed in Article 95-2, paragraph (3) of the Norinchukin Bank Act, and excluding a life

insurance solicitor prescribed in Article 2, paragraph (19) of the Insurance Business Act and a non-life insurance agent prescribed in paragraph (21) of that Article) of a financial institution (meaning a bank, cooperative financial institution, trust company, or other financial institutions set forth in the items of Article 1-9 of the Order) and conducts business, circumstances in which it is found that the financial instruments intermediary service provider has not taken appropriate measures for preventing customers from confusing the financial instruments intermediary service provider with those financial institutions, and;

- (xi) when the financial instruments intermediary service provider conducts business using a computer connected via a telecommunications line, circumstances in which it is found that they have not taken appropriate measures for preventing the customer from confusing the financial instruments intermediary service provider with an entrusting financial instruments business operator or other persons;
- (xii) circumstances in which the financial instruments intermediary service provider provides information on a customer's property or other special information that they have obtained (excluding the following information) without obtaining a prior written consent from the customer, or solicits purchase and sale or other transactions of securities by using information on a customer's property or other special information obtained from the entrusting financial instruments business operator, etc. (limited to information other than that set forth in sub-item (d) and that has been provided by the entrusting financial instruments business operator, etc. without obtaining the customer's written consent):
  - (a) information that is found necessary to be provided to an entrusting financial instruments business operator, etc. in order for a financial instruments intermediary service provider to conduct intermediation for financial instruments;
  - (b) information obtained through conducting financial instruments intermediation operations entrusted by the entrusting financial instruments business operator, etc., which is found necessary to be provided to the entrusting financial instruments business operator, etc. in order for the financial instruments intermediary service provider to comply with laws and regulations related to financial instruments intermediary services; and
  - (c) information that is found necessary for the entrusting financial instruments business operator to compensate for the loss from the problematic conduct by the financial instruments intermediary service provider;
- (d) when the financial instruments intermediary service provider is the

parent corporation, etc. or subsidiary corporation, etc. of the entrusting financial instruments business operator, or the entrusting financial instruments business operator is the parent corporation, etc. or subsidiary corporation, etc. of the financial instruments intermediary service provider, information related to a foreign corporation (including a foreign organization that is not a corporation for which a representative or manager has been designated);

- (xiii) circumstances in which it is found that the financial instruments intermediary service provider has not taken measures necessary for appropriately managing material information concerning cryptoassets, etc. related to purchase and sale or other transaction of securities that the entrusting financial instruments business operator, etc. uses or seeks to use as the subject of its financial instruments exchange business, etc. or concerning the entrusting financial instruments business operator which is found to influence customers' decision on purchase and sale or other transactions of securities related to cryptoassets, etc. (excluding cases in which the material information has been made readily accessible to all customers of financial instruments business, etc. conducted by the entrusting financial instruments business operator).

#### (Cryptoasset-Related Acts)

Article 281-2 The acts of financial instruments intermediation specified by Cabinet Office Order as prescribed in Article 43-6, paragraph (1) of the Act as applied mutatis mutandis pursuant to Article 66-15 of the Act following the deemed replacement of terms are the following acts:

- (i) the following acts for a derivative transaction prescribed in Article 146-3, paragraph (1), item (i):
  - (a) the acts set forth in Article 2, paragraph (11), item (ii) of the Act; and
  - (b) the acts set forth in Article 2, paragraph (11), item (iv) of the Act;
- (ii) the following acts for the cryptoasset-related securities or derivative transaction prescribed in Article 146-3, paragraph (1), item (ii):
  - (a) the acts set forth in Article 2, paragraph (11), items (i) through (iii) of the Act related to the cryptoasset-related securities or the acts set forth in item (ii) of that paragraph related to the derivative transaction; and
  - (b) the acts set forth in Article 2, paragraph (11), item (iv) of the Act.

#### (Explanation on Nature of Cryptoassets)

Article 281-3 (1) When a financial instruments intermediary service provider conducts a cryptoasset-related act (meaning the cryptoasset-related act prescribed in Article 43-6, paragraph (1) of the Act) with the customer as the counterparty or on behalf of a customer (excluding financial instruments

business operators, etc. (limited to those that conducting acts of financial instruments transactions concerning cryptoassets on a regular basis) and cryptoasset exchange service providers, etc.; hereinafter the same applies in this Article) based on the provisions of Article 43-6, paragraph (1) of the Act as applied mutatis mutandis pursuant to Article 66-15 of the Act, the financial instruments intermediary service provider must give an explanation on the nature of cryptoassets to the customer by delivering a document or by other appropriate means in advance.

- (2) When giving an explanation prescribed in the preceding paragraph, a financial instruments intermediary service provider is to explain the following matters:
- (i) the fact that cryptoassets are not in Japanese currency or foreign currency;
  - (ii) when there is a risk of an accrual of loss to be directly caused by fluctuations in the value of cryptoassets, that fact and the reasons;
  - (iii) the fact that cryptoassets can be used for the purpose of paying consideration only if there is consent of the person who is to receive payment of consideration;
  - (iv) the outline and characteristics of the cryptoassets related to the cryptoasset-related act (if the value of the cryptoassets has not been guaranteed by a specific person, that fact, and if the value has been guaranteed by a specific person, the name, trade name of that person and the content of the guarantee); and
  - (v) other matters which should be noted by the customer concerning the nature of cryptoassets.
- (3) If a financial instruments intermediary service provider conducts cryptoasset-related acts referred to in paragraph (1) at its business office or office, and gives an explanation prescribed in that paragraph to a customer, the financial instruments intermediary service provider is to give the explanation by posting the matters set forth in the items of the preceding paragraph at the service counter in a manner easily seen by the customer.

(Matters for Which Misleading Representations are Prohibited)

Article 281-4 The matters specified by Cabinet Office Order as prescribed in Article 43-6, paragraph (2) of the Act as applied mutatis mutandis pursuant to Article 66-15 of the Act are the matters set forth in Article 271, items (v) through (vii) and item (xiii), sub-items (b) through (e).

### **Section 3 Accounting**

(Books and Documents Concerning Business)

Article 282 (1) The books and documents required to be prepared by a financial

instruments intermediary service provider pursuant to the provisions of Article 66-16 of the Act are as follows:

- (i) a subsidiary book on financial instruments intermediary services; and
  - (ii) transaction records of intermediary service for concluding an investment advisory contract or a discretionary investment contract.
- (2) The books and documents set forth in item (i) of the preceding paragraph must be preserved for seven years from the day of the preparation, and the books and documents set forth in item (ii) of that paragraph must be preserved for ten years from the day of the preparation.

(Matters to Be Stated in Books and Documents Concerning Business)

Article 283 (1) The following matters must be stated in a subsidiary book on financial instruments intermediary services referred to in item (i), paragraph (1) of the preceding Article:

- (i) whether an entrusting financial instruments business operator is conducting the transaction themselves or it is based on entrustment by the customer;
- (ii) the customer's name;
- (iii) the type of transaction (for any of the transactions set forth in the following sub-items (a) through (h), including the matters provided for in each of the sub-items (a) through (h)):
  - (a) a margin transaction or when-issued transaction: that fact, and in the case of a margin transaction, the due date of payment;
  - (b) a transaction with a repurchase/resale agreement: the following matters:
    - 1. that fact;
    - 2. whether it is a transaction at the start or transaction at the end of the submission period;
    - 3. whether it is a transaction with a repurchase/resale agreement based on entrustment from a customer or a transaction with a repurchase/resale agreement on dealer basis; and
    - 4. the yield for the period.
  - (c) a short selling of securities: that fact;
  - (d) transactions set forth in Article 2, paragraph (21), items (i) and (ii) of the Act (including foreign market derivatives transactions similar to them): the following matters:
    - 1. expiration month;
    - 2. whether it is a new transaction or a settlement transaction;
  - (e) a transaction set forth in Article 2, paragraph (21), item (iii) of the Act (including a foreign market derivatives transaction similar to that), and a trading of bonds with options: the following matters:
    - 1. exercise period and exercise price;

2. whether it is a put option or a call option;
  3. whether it is a new transaction, or a transaction for exercising rights, a resale transaction, a buy-back transaction, or a transaction set-off; and
  4. expiration month;
- (f) a transaction set forth in Article 2, paragraph (21), item (iv) of the Act (including a foreign market derivatives transaction similar to that) and a transaction set forth in item (iv)-2 of that paragraph: the transaction period and delivery date;
- (g) a transaction set forth in Article 2, paragraph (21), item (v) of the Act (including a foreign market derivatives transaction similar to that): the following matters:
1. the exercise period;
  2. whether it is a new transaction, a transaction for exercising rights, a resale transaction, or a buy-back transaction;
- (h) a strategy trading prescribed in the rules of a financial instruments exchange: its type.
- (iv) the issue (including financial instruments or financial indexes that are to be the subject of transactions, or the contract number stated in the contract that provides the conditions of transactions or other matters that identify transactions; hereinafter the same applies in paragraph (3), item (i));
- (v) whether the type of transaction is sale or purchase (for a transaction set forth in any of the following sub-items (a) through (e), the type of transaction set forth in each of the sub-items (a) through (e); hereinafter the same applies in paragraph (3), item (i)):
- (a) a transaction set forth in Article 2, paragraph (21), item (ii) of the Act (including a foreign market derivatives transaction similar to that): whether it is a transaction in which the customer becomes a party to pay money or a party to receive money, when the actual figure exceeds the agreed figure,;
- (b) a transaction set forth in Article 2, paragraph (21), item (iii) of the Act (including a foreign market derivatives transaction similar to that): whether it is a transaction in which the customer becomes a party to grant options or a party to acquire options;
- (c) a transaction set forth in Article 2, paragraph (21), item (iv) of the Act (including a foreign market derivatives transaction similar to that): whether it is a transaction in which the customer becomes a party to pay money or a party to receive money, when the interest rate, etc. of financial instruments or financial indexes agreed between the customer and the counterparty increases in the agreed period; and
- (d) a transaction set forth in Article 2, paragraph (21), item (iv)-2 of the Act: a transaction in which the customer becomes a party to pay money or a



- party to receive money when a financial index for the instruments agreed on between the customer and the counterparty increases in the agreed period;
- (e) a transaction set forth in Article 2, paragraph (21), item (v) of the Act (including a foreign market derivatives transaction similar to that): whether it is a transaction in which the customer becomes a party to pay money or a party to receive money, when an event agreed on by the parties in advance (meaning any of the events specified in that item; the same applies in item (xi), sub-item (d)) occurs;
  - (vi) the quantity of offers received (if there is no quantity, the number of transactions or other matters equivalent to quantity; the same applies in paragraph (3), item (i));
  - (vii) the agreed quantity (if there is no quantity, the number of transactions or other matters equivalent to quantity; the same applies in paragraph (3), item (i));
  - (viii) whether it is a limit order or a market order (for a limit order, the price and the valid period of the order (excluding an order for which the valid period expires on the day of the order) are included);
  - (ix) the date and time the application has been received;
  - (x) the date and time of the transaction;
  - (xi) the agreed price (for a transaction set forth in the following sub-items, the matters specified in each of the sub-items (a) through (d)):
- (a) a transaction set forth in Article 2, paragraph (21), item (ii) of the Act (including a foreign market derivatives transaction similar to that): the agreed figure;
  - (b) a transaction set forth in Article 2, paragraph (21), item (iii) of the Act (including a foreign market derivatives transaction similar to that) and trading of bonds with options: the amount of the consideration for the options or the option fees;
  - (c) a transaction set forth in Article 2, paragraph (21), item (iv) of the Act (including a foreign market derivatives transaction similar to that) and a transaction set forth in item (iv)-2 of that paragraph: the interest rates of the agreed financial instruments or financial indexes;
  - (d) a transaction set forth in Article 2, paragraph (21), item (v) of the Act (including a foreign market derivatives transaction similar to that): the amount of the consideration for the right to receive money upon occurrence of an event agreed on by the parties in advance.
- (2) The subsidiary book on financial instruments intermediary services referred to in the preceding paragraph must be prepared in accordance with the following conditions:
- (i) the book is to be prepared upon the receipt of an application for a

- transaction from a customer, in principle;
- (ii) if the financial instruments intermediary service provider has two or more entrusting financial instruments business operators, the book is to be prepared for each entrusting financial instruments business operator;
- (iii) the content is to be stated in order of date and preserved;
- (iv) the statements concerning the transactions that have not been concluded are also to be preserved;
- (v) in the portions concerning the content of the transaction, matters the financial instruments intermediary service provider has come to know are to be stated;
- (vi) if a subsidiary book on financial instruments intermediary services is to be prepared by means of an electronic or magnetic record, the book is to be prepared in accordance with the following conditions, in addition to the conditions set forth in the items of the preceding paragraph:
  - (a) the matters set forth in the items of the preceding paragraph (excluding item (vii), item (x), and item (xi)) are entered onto a computer upon the receipt of an application; and
  - (b) the date and time when the content of a customer's application have been entered into a computer are automatically recorded;
- (vii) for an order concerning a transaction for which a give-up action has been conducted, to indicate that fact;
- (viii) for a transaction for which a give-up action has been conducted, a financial instruments intermediary service provider whose entrusting financial instruments business operator, etc. is the order executing member, etc. is not required to state whether it is a new transaction or a settlement transaction, and whether it is a new transaction, a transaction for the exercise of rights, a resale transaction, or buy-back transaction.
- (ix) for a transaction for which a give-up action has been conducted, a financial instruments intermediary service provider whose entrusting financial instruments business operator, etc. is a clearance executing member, etc. is not required to prepare a subsidiary book.
- (3) Notwithstanding the provisions of the preceding two paragraphs, the following matters may be stated in accordance with the conditions specified in each of those items:
  - (i) the matters set forth in the items of paragraph (1) concerning investment trust beneficiary certificates, etc. without price fluctuation on the same day: the customer's name, issue, whether it is sale or purchase, the quantity of offers received, the agreed quantity, date of receipt of the offer, and contracted date is to be stated in lieu of those matters;
  - (ii) the matters set forth in paragraph (1), item (iii), sub-item (d), 2., sub-item (e), 3., and sub-item (g), 2.: entry of the statement for which the matters are

- not required to be instructed at the time of order pursuant to the rules specified by a financial instruments exchange may be omitted;
- (iii) matters prepared by means of an electronic or magnetic record pursuant to the provisions of item (vi) of the preceding paragraph: if those matters prepared by means of an electronic or magnetic record is to be displayed on a screen of a computer, or to be printed on a paper, the matters are to be displayed as a list or printed as a list.
- (4) The following matters related to the intermediary service specified in Article 2, paragraph (8), item (xiii) of the Act must be stated in transaction records for the intermediary service for concluding an investment advisory contract or a discretionary investment contract referred to in item (ii), paragraph (1) of the preceding Article:
- (i) the date when the intermediary service was provided;
  - (ii) the customer's name;
  - (iii) the content of the intermediary service; and
  - (iv) the amount of fees, remuneration, or other considerations to be received in connection with the intermediary services.

(Reports on Financial Instruments Intermediary Services)

- Article 284 (1) A report to be submitted by a financial instruments intermediary service provider pursuant to the provisions of Article 66-17, paragraph (1) of the Act must be prepared by using the Appended Form No. 26.
- (2) Pursuant to the provisions of Article 66-17, paragraph (2) of the Act, a financial instruments intermediary service provider must make the document referred to in paragraph (2) of that Article available for public inspection by the means of keeping the copy of the report referred to in the preceding paragraph at all of the business offices or offices that conduct financial instruments intermediary services or by other means, or publicize them by using the internet or other means that enables easy access for investors at all times, for a period of one year from the day on which four months have passed from the end of each business year.
- (3) The matters specified by Cabinet Office Order as prescribed in Article 66-17, paragraph (2) of the Act are the matters stated in the written report referred to in paragraph (1).

(Public Inspection of Explanatory Documents)

- Article 285 Pursuant to the provisions of Article 66-18 of the Act, a financial instruments intermediary service provider must keep the explanatory documents referred to in that Article at all of the business offices or offices that conduct financial instruments intermediary services and make them available for public inspection, or publicize them by the using the internet or other

means that enables easy access for investors at all times for a period of one year from the day on which four months have passed from the end of the business year of the entrusting financial instruments business operator, etc.

## **Section 4 Supervision**

(Notification of the Discontinuation of Business Given by Financial Instruments Intermediary Service Providers)

Article 286 (1) A person that gives a notification pursuant to the provisions of Article 66-19, paragraph (1) of the Act must submit a written notification stating the matters specified in the following items in accordance with the category of the cases set forth in each of those items to the competent Director-General of a Local Finance Bureau, etc.:

- (i) if the case falls under Article 66-19, paragraph (1), item (i) of the Act (limited to cases in which financial instruments intermediary services has been discontinued): the date of and reasons for the discontinuation;
- (ii) if the case falls under Article 66-19, paragraph (1), item (i) of the Act (limited to cases in which the financial instruments intermediary service provider has had all of its business related to financial instruments intermediary service succeeded to through a split): the following matters:
  - (a) the trade name or name of the successor; and
  - (b) the date of and reasons for the split;
- (iii) if the case falls under Article 66-19, paragraph (1), item (i) of the Act (limited to cases in which all of the financial instruments intermediary services have been transferred): the following matters:
  - (a) the trade name or name of the transferee; and
  - (b) the date of and the reasons for the transfer;
- (iv) if the case falls under Article 66-19, paragraph (1), item (ii) of the Act: that fact and the date of death;
- (v) if the case falls under Article 66-19, paragraph (1), item (iii) of the Act: the following matters:
  - (a) the trade name or name of the other party to the merger;
  - (b) the date of and the reasons for the merger; and
  - (c) the method of the merger;
- (vi) if the case falls under Article 66-19, paragraph (1), item (iv) of the Act: the following matters:
  - (a) the date when the petition for commencement of bankruptcy proceedings has been filed; and
  - (b) the date when the corporation became subject to the order for commencement of bankruptcy proceedings;
- (vii) if the case falls under Article 66-19, paragraph (1), item (v) of the Act: the

date of and the reasons for the dissolution.

(viii) if the case falls under Article 66-19, paragraph (1), item (vi) of the Act: that fact and the date when the person obtained a registration or a registration of change.

(2) A person that gives a notification pursuant to the provisions of Article 66-19, paragraph (1) of the Act must attach the documents specified in the following items in accordance with the category of the cases set forth in each of those items to the written notification stating the matters prescribed in the preceding paragraph:

(i) if the case falls under Article 66-19, paragraph (1), item (i) or (ii) of the Act (if the case falls under item (i), limited to the case in which financial instruments intermediary services have been discontinued): the following documents:

(a) a recent daily cash count sheet; and

(b) a document stating the method of settling the claims and obligations against customers;

(ii) if the case falls under Article 66-19, paragraph (1), item (i) of the Act (limited to cases in which the financial instruments intermediary service provider has had all of the business related to financial instruments intermediary services succeeded to through a split): the following documents:

(a) the incorporation-type split plan or, a document stating the content of the absorption-type split agreement and the procedures for the split; and

(b) a document stating the method of transferring the claims and obligations against customers to the successor.

(iii) if the case falls under Article 66-19, paragraph (1), item (i) of the Act (limited to cases in which all of the financial instruments intermediary services have been transferred): the following matters:

(a) a document stating the content of the business transfer agreement; and

(b) a document stating the method of transferring the claims and obligations against customers to the transferee.

(iv) if the case falls under Article 66-19, paragraph (1), item (iii) of the Act: the following documents:

(a) a document stating the content of the merger agreement and the procedures for the merger; and

(b) a document stating the method for the succession of claims and obligations against customers to the corporation surviving the merger;

(v) if the case falls under Article 66-19, paragraph (1), item (iv) of the Act: the following documents:

(a) a copy of the written judgment on the order for commencement of bankruptcy proceedings, or a document stating the content of the order for commencement of bankruptcy proceedings; and

- (b) a document stating the method of settling the claims and obligations against customers;
- (vi) if the case falls under Article 66-19, paragraph (1), item (v) of the Act: a document stating the method of settling the claims and obligations against customers; and
- (vii) if the case falls under Article 66-19, paragraph (1), item (vi) of the Act: a copy of a document related to the notification under the provisions of Article 14, paragraph (2) of the Act on the Provision of Financial Services (including as applied mutatis mutandis pursuant to Article 16, paragraph (2) of that Act).

## **Section 5 Miscellaneous Provisions**

(Matters to Be Stated in Register of Sales Representatives)

Article 287 The matters specified by Cabinet Office Order as prescribed in Article 64, paragraph (1) of the Act as applied mutatis mutandis pursuant to Article 66-25 of the Act are as follows:

- (i) the trade name or name of the registration applicant;
- (ii) the following matters concerning sales representatives:
  - (a) whether the sales representative is an officer (for a foreign corporation, an officer stationed at business offices or offices in Japan (including directors, accounting advisors, company auditors, and executive officers, or persons who are in positions similar to them)) or employee; and
  - (b) if the sales representative has been ordered to suspend their duties pursuant to the provisions of Article 64-5, paragraph (1) as applied mutatis mutandis pursuant to Article 66-25 of the Act, the day when the disposition was issued, and the reason for and the period of the disposition.

(Places to Keep Registers of Sales Representatives)

Article 288 The place specified by Cabinet Office Order as prescribed in Article 64, paragraph (1) of the Act as applied mutatis mutandis pursuant to Article 66-25 of the Act is the local finance bureau or the Fukuoka Local Finance Branch Bureau (for a register of sales representatives of financial instruments intermediary service providers, for which the association has been instructed to handle the registration work pursuant to the provisions of Article 64-7, paragraph (1) or (2) of the Act as applied mutatis mutandis pursuant to Article 66-25 of the Act, the association).

(Application for Registration)

Article 289 A financial instruments intermediary service provider that seeks to obtain a registration referred to in Article 64, paragraph (1) of the Act as

applied mutatis mutandis pursuant to Article 66-25 of the Act must submit a written application for registration referred to in Article 64, paragraph (3) of the Act as applied mutatis mutandis pursuant to Article 66-25 of the Act prepared in the same manner as the Appended Form No. 22 to the competent Director-General of a Local Finance Bureau, etc., by attaching a copy of the written application for registration and the documents required to be attached to the written application for registration under the provisions of Article 64, paragraph (4) of the Act as applied mutatis mutandis pursuant to Article 66-25 of the Act.

(Matters to Be Stated in Written Applications for Registration)

Article 290 The matters specified by Cabinet Office Order as prescribed in Article 64, paragraph (3), item (iv) of the Act as applied mutatis mutandis pursuant to Article 66-25 of the Act are the facts on whether or not the sales representative for whom the application for registration has been filed has experience of conducting financial instruments business, and for those who have conducted financial instruments business, the period of the business.

(Documents to Be Attached to Written Applications for Registration)

Article 291 The documents specified by Cabinet Office Order as prescribed in Article 64, paragraph (4) of the Act as applied mutatis mutandis pursuant to Article 66-25 of the Act are as follows:

- (i) an extract of the resident record of the sales representative related to the registration, or alternative documents; and
- (ii) if the former surname and given name of the sales representatives regarding the application for registration are stated together with the current name of the sales representatives in a written application for registration referred to in Article 64, paragraph (3) of the Act as applied mutatis mutandis pursuant to Article 66-25 of the Act, and the document set forth in the preceding item is not a document certifying the former surname and given name of the sales representatives, a document certifying the former surname and given name;
- (iii) the documents with which the applicant and the sales representative pledges that the sales representative for whom registration is sought does not fall under any of the items of Article 64-2, paragraph (1) of the Act as applied mutatis mutandis pursuant to Article 66-25 of the Act.

(Notification of Changes to Registered Matters)

Article 292 (1) A financial instruments intermediary service provider that gives a notification pursuant to the provisions of Article 64-4, item (i) of the Act as applied mutatis mutandis pursuant to Article 66-25 of the Act must submit a

written notification of change prepared in the same manner as the Appended Form No. 23 to the competent Director-General of a Local Finance Bureau, etc.

(2) A financial instruments intermediary service provider that gives a notification pursuant to the provisions of Article 64-4, items (ii) through (iv) of the Act as applied mutatis mutandis pursuant to Article 66-25 of the Act must submit a written notification stating the matters specified in the following items in accordance with the category of the cases set forth in each of those items to the competent Director-General of a Local Finance Bureau, etc.:

- (i) if the case falls under Article 64-4, item (ii) of the Act as applied mutatis mutandis pursuant to Article 66-25 of the Act: the following matters:
  - (a) the name of the person that has come to fall under the provisions; and
  - (b) the date when the person came to fall under the provisions and the reasons for that;
- (ii) if the case falls under Article 64-4, item (iii) of the Act as applied mutatis mutandis pursuant to Article 66-25 of the Act (limited to cases in which the sales representative has come to fall under Article 29-4, paragraph (1), item (ii), sub-item (b) of the Act): the following matters:
  - (a) the name of the person that has come to fall under the provisions; and
  - (b) the date when the person became subject to the order for commencement of bankruptcy proceedings;
- (iii) if the case falls under Article 64-4, item (iii) of the Act as applied mutatis mutandis pursuant to Article 66-25 of the Act (limited to cases in which the sales representative has come to fall under the provisions of Article 29-4, paragraph (1), item (ii), sub-item (c) or (i) of the Act): the following matters:
  - (a) the name of the person that has come to fall under the provisions; and
  - (b) the date when the punishment became final and binding, and the type of punishment;
- (iv) if the case falls under Article 64-4, item (iii) of the Act as applied mutatis mutandis pursuant to Article 66-25 of the Act (limited to cases in which the sales representative has come to fall under Article 29-4, paragraph (1) item (ii), sub-item (d) or (e) of the Act): the following matters:
  - (a) the name of the person that has come to fall under the provisions; and
  - (b) the date the revocation has been made or order has been given, and the reasons for that;
- (v) if the case falls under Article 64-4, item (iii) of the Act as applied mutatis mutandis pursuant to Article 66-25 of the Act (limited to the case that has come to fall under Article 29-4, paragraph (1), item (ii), sub-item (f) or (g) of the Act): the following matters:
  - (a) the name of the person that has come to fall under the provisions;
  - (b) the date of and reason for the notice under the provisions of Article 15 of the Administrative Procedure Act to be given, and the date of and reason



- for making the notification under the provisions of Article 50-2, paragraph (1) of the Act, Article 60-7 of the Act (including as applied mutandis pursuant to Article 60-14, paragraph (2) of the Act), Article 63-2, paragraph (2) of the Act, Article 63-2, paragraph (3) of the Act (including as applied mutatis mutandis pursuant to Article 63-3, paragraph (2) of the Act), Article 63-2, paragraph (4) of the Act, Article 63-10, paragraph (2), paragraph (3) (including as applied mutatis mutandis pursuant to Article 63-11, paragraph (2) of the Act), or Article 63-10, paragraph (4), Article 66-19, paragraph (1) of the Act, Article 66-40, paragraph (1) of the Act or Article 66-61, paragraph (1) of the Act, or Article 16, paragraph (3) of the Act on the Provision of Financial Services;
- (vi) if the case falls under Article 64-4, item (iii) of the Act as applied mutatis mutandis pursuant to Article 66-25 of the Act (limited to cases in which the sales representative has come to fall under Article 29-4, paragraph (1), item (ii), sub-item (h) of the Act): the following matters:
    - (a) the name of the person that has come to fall under the provisions; and
    - (b) the date when the removal or dismissal has been ordered and the reasons for that;
  - (vii) if the case falls under Article 64-4, item (iv) of the Act as applied mutatis mutandis pursuant to Article 66-25 of the Act: the following matters:
    - (a) the name of the person that has ceased to conduct duties;
    - (b) the reasons for ceasing to conduct the duties of a sales representative.
- (3) A financial instruments intermediary service provider that gives a notification pursuant to the provisions of Article 64-4, item (ii) through (iv) of the Act as applied mutatis mutandis pursuant to Article 66-25 of the Act must attach the documents specified in each of the following items to the written notification stating the matters prescribed in the preceding paragraph, if the case falls under any of the category set forth in the following items:
- (i) if the case falls under Article 64-4, item (iii) of the Act as applied mutatis mutandis pursuant to Article 66-25 of the Act (limited to cases in which the sales representative has come to fall under Article 29-4, paragraph (1), item (ii), sub-item (b) of the Act): a copy of the written judgment on the order for commencement of bankruptcy proceedings or a document stating the content of the order for commencement of bankruptcy proceedings;
  - (ii) if the case falls under 64-4, item (iii) of the Act as applied mutatis mutandis pursuant to Article 66-25 of the Act (limited to cases in which the sales representative has come to fall under Article 29-4, paragraph (1), item (ii), sub-item (c) or (i) of the Act): a copy of the judgment document on the final and binding judgment, or a document stating the content of the final and binding judgment;
  - (iii) if the case falls under Article 64-4, item (iii) of the Act as applied mutatis

mutandis pursuant to Article 66-25 of the Act (limited to cases in which the sales representative has come to fall under Article 29-4, paragraph (1), item (ii), sub-item (d) or (e) of the Act, and the rescission was made or order was given in a foreign country): a copy of the written order for the rescission or discontinuation of business or alternative documents, as well as a copy of foreign laws and regulations that serves as the basis of the rescission or discontinuation of business and their Japanese translation.

- (4) The provisions of Article 252, paragraph (4) apply mutatis mutandis to the case in which the provisions of Article 64-4, item (ii) of the Act apply mutatis mutandis pursuant to Article 66-25 of the Act.

(Association's Registration Work Concerning Sales Representatives)

Article 293 Pursuant to the provisions of Article 64-7, paragraph (1) of the Act as applied mutatis mutandis pursuant to Article 66-25 of the Act, the following registration work concerning sales representatives of financial instruments intermediary service providers whose entrusting financial instruments business operator, etc. is a financial instruments business operator, etc. belonging to an association are to be delegated to the association:

- (i) acceptance of written applications for registration under the provisions of Article 64, paragraph (3) of the Act as applied mutatis mutandis pursuant to Article 66-25 of the Act;
- (ii) registration under the provisions of Article 64, paragraph (5) of the Act as applied mutatis mutandis pursuant to Article 66-25 of the Act;
- (iii) notice under the provisions of Article 64, paragraph (6), Article 64-2, paragraph (3), and Article 64-5, paragraph (3) of the Act as applied mutatis mutandis pursuant to Article 66-25 of the Act;
- (iv) refusal of registration under the provisions of Article 64-2, paragraph (1) of the Act as applied mutatis mutandis pursuant to Article 66-25 of the Act;
- (v) hearing under the provisions of Article 64-2, paragraph (2) of the Act as applied mutatis mutandis pursuant to Article 66-25 of the Act;
- (vi) acceptance of notification under the provisions of Article 64-4 of the Act as applied mutatis mutandis pursuant to Article 66-25 of the Act;
- (vii) revocation of registration and order for e suspension of business under the provisions of Article 64-5, paragraph (1) of the Act as applied mutatis mutandis pursuant to Article 66-25 of the Act;
- (viii) hearing under the provisions of Article 64-5, paragraph (2) of the Act as applied mutatis mutandis pursuant to Article 66-25 of the Act; and
- (ix) deletion of registration under the provisions of Article 64-6 of the Act as applied mutatis mutandis pursuant to Article 66-25 of the Act.

(Notification to Director-General of a Local Finance Bureau)

Article 294 An association that files a notification pursuant to the provisions of Article 64-7, paragraph (5) of the Act as applied mutatis mutandis pursuant to Article 66-25 of the Act must submit a written notification stating the following matters to the Director-General of a Local Finance Bureau with jurisdiction over the locality of the head office, etc. of the financial instruments intermediary service provider to which the sales representative related to the registration work belongs (if the locality falls within the jurisdictional area of the Fukuoka Local Finance Branch Bureau, to its Director-General; if the financial instruments intermediary service provider does not have a business office or an office in Japan, to the Director-General of the Kanto Finance Bureau):

- (i) the trade name or name of the financial instruments intermediary service provider to which the sales representative related to the registration work belongs;
- (ii) the name and date of birth of the sales representative related to the registration work;
- (iii) the content of the registration work conducted and the date the work has been conducted;
- (iv) if the content of the registration work referred to in the preceding item is an order for suspension of business or deletion of registration, the reasons for that; and
- (v) the trade name or name of the entrusting financial instruments business operator, etc. of a financial instruments intermediary service provider to which the sales representative related to the registration work belongs.

## **Chapter IV Credit Rating Agencies**

### **Section 1 General Provisions**

(Definitions)

Article 295 (1) In this Chapter (excluding paragraph (3), items (i) and (iii), Article 299, item (xxxix), Article 300, paragraph (1), item (ix), Article 306, paragraph (1), item (xv), Article 307, paragraph (1), item (i), Article 309, item (iii), Article 310, Article 313, paragraph (2), item (ii), and Article 318, item (ii), sub-item (b), 3.), the meanings of the terms set forth in the following items are as prescribed in each of those items:

- (i) corporation: meaning a corporation prescribed in Article 66-27 of the Act; and
- (ii) officer: meaning an officer prescribed in Article 66-28, paragraph (1), item (ii) of the Act.

(2) In this Chapter, the meanings of the terms set forth in the following items are as prescribed in each of those items:

- (i) rating entity, etc.: meaning a rating entity, etc. prescribed in Article 66-33, paragraph (2) of the Act;
  - (ii) rating policy, etc.: meaning a rating policy, etc. prescribed in Article 66-36, paragraph (1) of the Act; and
  - (iii) subsidiary corporation: meaning a subsidiary corporation prescribed in Article 66-45, paragraph (2) of the Act.
- (3) In this Chapter, the meanings of the terms set forth in the following items are as prescribed in each of those items:
- (i) asset securitization products: meaning securities as defined in Article 2, paragraph (1) of the Act (excluding securities set forth in item (i), item (ii), item (vi), item (vii), items (ix) through (xi), item (xvi), item (xvii) (limited to securities that have the nature of securities or certificates that are set forth in item (i), item (ii), item (vi), item (vii), item (ix) or item (xvi) of that paragraph; hereinafter the same applies in this item), item (xix), item (xx) (limited to securities that indicate the right related to securities or certificates set forth in item (i), item (ii), item (vi), item (vii), item (ix) to item (xi), item (xvi), item (xvii), or item (xix) of that paragraph; hereinafter the same applies in this item) and item (xxi) of that paragraph (hereinafter referred to as "excluded securities" in this item); and including the rights that are deemed to be securities pursuant to the provisions of paragraph (2) of that Article (excluding the rights related to the excluded securities and the rights set forth in items (iii) through (vi) of that paragraph; the same applies in Article 307, paragraph (3))) or claim related to loan of funds, which satisfy any of the requirements set forth in the following sub-items (a) through (e) (excluding those that satisfy any of requirements set forth in the following sub-items (f) through (h)):
  - (a) those that satisfy all of the following requirements:
    1. monetary claims or other assets (hereinafter referred to as "underlying assets" in this item) to be directly or indirectly transferred (including acquisition) from the owner to a corporation (referred to as "special purpose corporation" in 2., (c), and Article 307, paragraph (2), item (iii)) incorporated or operated for the purpose of issuing those securities or borrowing funds (limited to borrowing related to the funds; hereinafter the same applies in this item) exist; and
    2. the special purpose corporation issues those securities or borrows the funds, and, allocates the money obtained from managing, investing, or disposing underlying assets referred to in 1., concerning performance of obligations related to those securities or borrowing of funds (including securities to be issued for the purpose of refinancing those securities or the funds, or borrowings made for the purpose of the refinancing);

(b) those that satisfy any of the following requirements:

1. underlying assets are entrusted by the means set forth in Article 3, item (i) or (iii) of the Trust Act (including means based on foreign laws and regulations that are similar to those means; the same applies in 2. and sub-item (d), 1.) and the performance of obligations related to trust beneficiary certificates, etc. related to the trust (meaning trust beneficiary certificates prescribed in Article 1, item (iv) of Cabinet Office Order on Disclosure of Information on Regulated Securities, trust bond certificates prescribed in item (iv)-2 of that Article, foreign loan trust beneficiary certificates prescribed in item (iv)-4 of that Article, and rights set forth in Article 2, paragraph (2), items (i) and (ii) of the Act; hereinafter the same applies in sub-item (b) and sub-item (d), 2.) or borrowing of funds related to the trust (including trust beneficiary certificates, etc. related to the trust, trust beneficiary certificates issued for refinancing of the funds, or borrowings made for the refinancing) are made by using the money obtained from managing, investing, or disposing the underlying assets;
2. trust is made by the means set forth in Article 3, item (i) or (iii) of the Trust Act, the special purpose corporation obtains underlying assets by allotting the money obtained from the trust, issuance of trust bond certificates related to the trust (meaning trust bond certificates prescribed in Article 1, item (iv)-2 of the Cabinet Office Order on Disclosure of Information on Regulated Securities; the same applies in sub-item (d), 2.) or borrowing of money related to the trust, and obligations concerning trust beneficiary certificates related to the trust or borrowing of money related to the trust (including trust beneficiary certificates, etc. related to the trust, trust beneficiary certificates issued for refinancing of the funds, or borrowings made for the refinancing) are performed by allotting the money obtained from managing or disposing the underlying assets;

(c) those that satisfy all of the following requirements:

1. a contract for transferring all or part of the risk of loss resulting from the change in credit status of underlying assets from a third party to the special purpose corporation has been concluded; and
2. the special purpose corporation issues the securities or borrows funds, and performs obligations related to the securities or borrowing of funds (including securities to be issued for the purpose of refinancing those securities or the funds, or borrowings made for the purpose of the refinancing) by allocating money obtained from the contract referred to in 1., the issuance of those securities or the borrowing of the funds or money obtained from managing, investing, or disposing other assets;

- (d) those that satisfy all of the following requirements:
  - 1. trust has been created by the means set forth in Article 3, item (i) or (iii) of the Trust Act, and a contract for transferring all or part of the risk of loss resulting from the change in credit status of underlying assets from a third party to the trustee has been concluded; and
  - 2. money obtained from managing, investing, or disposing money claims and any other assets obtained from the contract referred to in 1., the trust, the issuance of the trust corporate bond certificate related to the trust allocated for performing the obligations concerning trust beneficiary certificates, etc. related to the trust or borrowing of funds related to the trust (including trust beneficiary certificates, etc. issued for the purpose of refinancing the trust beneficiary certificates, etc. or the borrowing of funds, or borrowings made for the purpose of the refinancing);
- (e) in addition to the requirements set forth in sub-items (a) through (d), those designated by the Commissioner of the Financial Services Agency as those that have similar nature to the requirements;
- (f) the securities or claims related to borrowing of funds (hereinafter referred to as "the securities, etc." in sub-items (f) and (g)) whose underlying assets are securities issued by a single issuer (meaning securities as defined in Article 2, paragraph (1) of the Act or rights deemed to be securities pursuant to the provisions of paragraph (2) of that Article) or claim against one obligor (limited to cases in which the credit status of the underlying assets is found to be substantially the same as the credit status of the securities, etc.);
- (g) the securities, etc. for which a specified commitment line contract as defined in Article 2, paragraph (1) of Act on Specified Commitment Line Contract (Act No. 4 of 1999) has been concluded between the special purpose corporation referred to in sub-item (a), 1. or sub-item (c), 1. and a single person (including contracts based on similar foreign laws and regulations), and the special purpose corporation has the right to establish a loan agreement based on the contract in order for the corporation to allocate for performance of obligations concerning the securities, etc. (limited to cases in which the credit status of the underlying assets is found to be substantially the same as the credit status of the securities, etc.);
- (h) those designated by the Commissioner of the Financial Services Agency;
- (ii) underlying assets: meaning underlying assets referred to in sub-item (a), 1., sub-item (b), 1. and 2., sub-item (c), 1., and sub-item (d), 1. of the preceding item;
- (iii) rating analyst: meaning a person that performs an analysis of the credit

- status of financial instruments or corporations (including a corporation set forth in Article 24, paragraph (1) of the Cabinet Office Order on Definitions under Article 2 of the Financial Instruments and Exchange Act; the same applies in Article 299, item (xxxix), Article 300, paragraph (1), item (ix), Article 306, paragraph (1), item (xv), Article 307, paragraph (1), item (i), Article 309, item (iii), Article 313, paragraph (2), item (ii) and Article 318, item (ii), (b), 3.) using their expert knowledge and skills and an assessment based on the analysis, before assigning credit ratings;
- (iv) chief rating analyst: meaning one chief rating analyst involved in the process of assigning credit ratings;
- (v) person in charge of ratings: meaning a rating analyst involved in the process of assigning credit ratings to the matters that a rating entity, etc. has interest in (meaning the matters set forth in Article 309; hereinafter the same applies in this Chapter), and a member of the panel that makes the final decision as a credit rating agency for assigning credit ratings;
- (vi) compliance with laws and regulations, etc.: meaning that credit rating business complies with laws and regulations, etc. (meaning laws and regulations (including foreign laws and regulations), dispositions of administrative agencies based on laws and regulations (including similar dispositions based on foreign laws and regulations) or articles of incorporation and other rules; the same applies in Article 299, item (x) and Article 306, paragraph (1), item (v), sub-item (c));
- (vii) responsible person for compliance with laws and regulations, etc.: meaning a person responsible for ensuring compliance with laws and regulations, etc.;
- (viii) credit rating activity: meaning an activity for assigning credit ratings, or providing or offering credit rating for public inspection (limited to activities related to credit rating business);
- (ix) conflict of interest: meaning an act of harming the interests of investors for the purpose of benefiting oneself, or a rating entity, etc. or other persons; and
- (x) associated corporation: meaning the subsidiary corporation of a corporation, another corporation that has a corporation as its subsidiary corporation, or a subsidiary corporation of another corporation that has a corporation as its subsidiary corporation (excluding that corporation), which performs credit rating activities on a regular basis.

#### (Application for Registration)

Article 296 A person that seeks to obtain a registration referred to in Article 66-27 of the Act must submit a written application for registration referred to in Article 66-28, paragraph (1) of the Act which has been prepared by using the

Appended Form No. 27, by attaching a copy of the written application for registration and a document or electronic or magnetic record required to be attached to the written application pursuant to the provisions of paragraph (2) or (3) of that Article, to the Commissioner of the Financial Services Agency.

(Person Equivalent to Representative of Foreign Corporations in Japan)

Article 297 A person specified by Cabinet Office Order as prescribed in Article 66-28, paragraph (1) of the Act, is a person representing a foreign corporation (limited to a foreign corporation that is not required to have business offices or offices in Japan, pursuant to the provisions of the proviso to Article 66-30, paragraph (2) of the Act) who conducts liaison and coordination with the Commissioner of the Financial Services Agency (limited to a person that is capable of providing an explanation of the status of compliance with laws and regulations, etc. of the foreign corporation).

(Matters to Be Stated in Written Applications for Registration)

Article 298 The matters specified by Cabinet Office Order as prescribed in Article 66-28, paragraph (1), item (v) of the Act are as follows:

- (i) the name of the representative in Japan who is specified in Article 66-28, paragraph (1) of the Act or the person specified in the preceding Article of the registration applicant (limited to a foreign corporation);
- (ii) the following matters concerning an associated corporation of a registration applicant which is another registration applicant or credit rating agency that jointly performs credit rating activities with the registration applicant:
  - (a) the trade name or name;
  - (b) the location of its head office, or of its principal business office or principal office;
- (iii) the following matters concerning the associated corporation of the registration applicant (excluding an associated corporation of the registration applicant which is another registration applicant or credit rating agency that jointly conducts credit rating activities with the registration applicant):
  - (a) the trade name or name;
  - (b) the location of the head office, or of the principal business office or office;
- (iv) the following matters concerning the registration applicant (limited to a foreign corporation):
  - (a) the name of the country in which the head office, the principal business office or office is located;
  - (b) if the registration applicant is supervised by a foreign administrative organ or other agencies equivalent to the organ, which supervises the persons that conduct business equivalent to credit rating business in the



- country referred to in sub-item (a) (hereinafter referred to as "foreign administrative organ, etc." in this Chapter), that fact and the name and location of the foreign administrative organ, etc.; and
- (v) the names of the responsible person for compliance with laws and regulations, etc., a person in charge of supervising rating analysts in the process of assigning credit ratings, and the members of the monitoring committee (including the monitoring committee prescribed in Article 306, paragraph (1), item (xvii), sub-item (a); the same applies in item (xxxv) of the following Article, Article 300, paragraph (1), item (iv), and Article 304, item (vi)).

(Content and Method of Business)

Article 299 The matters specified by Cabinet Office Order as prescribed in Article 66-28, paragraph (2), item (ii) of the Act are as follows:

- (i) the fundamental principles of business operation;
- (ii) the method of conducting business operation;
- (iii) the method of division of duties;
- (iv) the content of credit rating activities performed on a regular basis and the category of matters subject to credit ratings related to those activities;
- (v) if a person in charge of ratings is to participate in the process of determining credit ratings for the matters that are subject to credit ratings which the same rating entity, etc. continuously has an interest in, the content of the measures to be implemented in order to enable that person to fairly and faithfully conduct their duties in an independent capacity;
- (vi) the policy for recruiting employees (excluding rating analysts);
- (vii) the content of the measures to be taken for improving the system to secure the appropriateness of the operation of credit rating business (meaning the measures prescribed in Article 306, paragraph (1), item (iv));
- (viii) the policy and procedures for complying with laws and regulations, etc.;
- (ix) policies for clarifying where the responsibility for appointment of the responsible person for compliance with laws and regulations, etc. lies and the responsibility for compliance with laws and regulations, etc. lies;
- (x) the content of the measures for addressing cases in which an employee discovers an act in violation of laws and regulations, etc.;
- (xi) policies on the recruitment and training of rating analysts;
- (xii) the arrangement of rating analysts;
- (xiii) the method of the appointment of members of the panel that makes the final decision for assigning a credit rating, and the method for the panel to make decisions;
- (xiv) the method of the appointment of a person responsible for supervising rating analysts in the process of assigning credit ratings;

- (xv) the content of the measures to be taken in order to secure sufficient quality for the information used for assigning credit ratings;
- (xvi) the content of the measures to be taken in order to refrain from assigning the credit rating, if it is not possible to sufficiently secure personnel with expert knowledge and skills required for assigning the credit rating, or if it is not possible to secure sufficient quality for the information used for assigning the credit rating;
- (xvii) the content of the measures for developing the functions to properly verify the appropriateness and effectiveness of the policy, etc. for assigning ratings (meaning the policy, etc. for assigning ratings prescribed in Article 313, paragraph (1), item (i); the same applies in the following item, item (xxxvi), Article 306, paragraph (1), item (vi), Article 311, and Article 312, item (i));
- (xviii) if material changes are made to the policy, etc. for assigning ratings, to publicize without delay, the scope of credit ratings for which decision should be made on whether or not to renew the ratings based on the changed policy, etc. for assigning ratings among the credit ratings assigned based on the policy, etc. for assigning ratings, and the period required for the renewal and the content of measures to be taken for making the necessary renewal during that period of time;
- (xix) the content of the measures to be taken in order to verify that it is possible to appropriately assign credit rating that is subject of the assessment of the credit status of asset securitization products (only if the design of the asset securitization product is substantially different from that of the asset securitization products for which credit ratings were determined in the past);
- (xx) the content of the measures to be taken in order to appropriately and continuously conduct verification and renewal of credit ratings that have been assigned;
- (xxi) the types of specified activities (meaning specified activities prescribed in Article 306, paragraph (1), item (vii), sub-item (a); the same applies in item (xxvii)) and the outline of the measures for avoiding a conflict of interest (meaning measures for avoiding a conflict of interest prescribed in item (vii), sub-item (a) of that paragraph; the same applies in item (xxvii));
- (xxii) the content of the measures to be taken in order to prevent the person in charge of rating from conducting purchase and sale or other transactions of securities which may cause a conflict of interest;
- (xxiii) if a registration applicant, or its officer or employee has a close relationship set forth in Article 308, paragraph (1) with a rating entity, the content of the measures to be taken in order to prevent the rating entity from providing or making available for inspection the credit ratings that rate the

- matters the rating entity, etc. has interest in;
- (xxiv) in cases a conflict of interest is likely to arise between a registration applicant and a rating entity, etc., the content of the measures to be taken to ensure that the interests of investors will not be harmed in the process of determining credit ratings that rate the matters the rating entity, etc. has interest in;
  - (xxv) the content of the measures to be taken for preventing a person in charge of rating from making an approach in an attempt to assume the position of an officer or other positions equivalent to that at the rating entity, etc.;
  - (xxvi) if a rating analyst that is no longer an officer or employee of the registration applicant assumes the position of an officer or any other equivalent position of a rating entity, etc., the content of the measures to be taken in order to verify the appropriateness of credit ratings that rate the matters the rating entity, etc. has interest in;
  - (xxvii) the content of the measures to be taken for appropriately publicizing the types of specified activities and the outline of measures for avoiding a conflict of interest;
  - (xxviii) the content of the measures to be taken to ensure that acts concerning related business (meaning business other than credit rating business that is pertinent to credit rating activities; hereinafter the same applies in this Chapter) and any other businesses (meaning business other than credit rating business and which is other than related business; hereinafter the same applies in this Chapter) will not unduly influence credit rating activities;
  - (xxix) in the case the assessment of the credit status of asset securitization products is the matter subject to credit rating, the content of the measures to be taken to enable a third party to verify the appropriateness of the credit ratings in an independent capacity;
  - (xxx) the policy for determining the remuneration, etc. of officers and employees of the registration applicant (meaning remuneration, bonus, or any other economic benefit to be received as consideration for the performance of duties from the registration applicant; the same applies in the following item);
  - (xxxi) the content of the measures to be taken to ensure that the policy for determining the remuneration, etc. of officers and employees of the registration applicant does not obstruct the fair and accurate performance of credit rating business;
  - (xxxii) the content of the measures to be taken in order to prevent the person in charge of the rating from participating in the negotiation concerning the determination of the rating fee for the credit rating (meaning the value of the money or other property that has been paid or should be paid to the

- registration applicant as consideration for assigning credit ratings);
- (xxxiii) the content of the measures to be taken in order to properly manage information learned about the credit rating business, and to properly maintain the confidentiality of the information;
- (xxxiv) the content of the measures to be taken in order to appropriately and promptly handle the complaints raised against a registration applicant;
- (xxxv) the operational policies of the monitoring committee and the method of appointing its members; and
- (xxxvi) the following matters concerning the policy, etc. for assigning ratings:
- (a) the category of the matters subject to credit rating and the matters that serve as preconditions for the assessment of credit status in accordance with the particulars of the category, and the criteria to be used for setting grades that indicate the results of the assessment of the credit status;
  - (b) the policy and method which enable a rating entity, etc. to confirm the existence of misinterpretation of facts concerning the main information used by the registration applicant in assigning credit ratings in advance, before providing or making available for public inspection the assigned credit ratings; and
  - (c) the policy and method of assigning credit ratings, in assigning credit ratings not based on a request from a rating entity, etc.;
- (xxxvii) the policy, etc. for providing ratings (meaning the policy, etc. for providing ratings prescribed in Article 313, paragraph (1), item (ii));
- (xxxviii) the content of the measures to be taken in order to comply with the rating policy, etc. by officers and employees;
- (xxxix) the content of the measures for preventing a false representation or a representation that may lead to a misunderstanding on material information, concerning the general nature of the assessment results of credit status of financial instruments or corporations;
- (xl) if an act concerning related business is to be conducted, the content of the measures to be taken to prevent the act related from being misunderstood as an act related to the credit rating business; and
- (xli) the code of conduct required to be complied with by the registration applicant and their officers and employees.

(Documents to Be Attached to Written Applications for Registration)

Article 300 (1) The documents specified by Cabinet Office Order as prescribed in Article 66-28, paragraph (2), item (iv) of the Act are as follows:

- (i) the documents stating the personnel structure and the system for conducting business of the organization;
- (ii) the following documents concerning officers (including persons that are found to have the same or a greater control over the corporation as a director,

- an executive officer or a person holding an equivalent position, irrespective of their title of advisor, consultant, or any other title; hereinafter the same applies in this item, Article 303, and Article 304, item (ii)):
- (a) the resumes of officers (if an officer is a corporation, the document stating the background of the officer);
  - (b) extracts of the resident records of the officers (if an officer is a corporation, the certificate of registered information of the officer), or alternative documents;
  - (c) if the former surname and given name of an officer are stated together with the current name of the officer in a written application for registration referred to in Article 66-28, paragraph (1) of the Act, and the document set forth in sub-item (b) is not a document certifying the former surname and given name of the officer, a document certifying the former surname and given name;
  - (d) the certificate issued by a public agency certifying that the officer does not fall under Article 29-4, paragraph (1), item (ii), sub-item (b) of the Act, or alternative documents;
  - (e) the document with which the officer pledges that they do not fall under any of Article 29-4, paragraph (1), item (ii), sub-items (c) through (i) or Article 66-30, paragraph (1), item (iii), sub-item (a) of the Act;
- (iii) the following documents concerning the representative of the registration applicant (limited to a foreign corporation) in Japan who is specified in Article 66-28, paragraph (1) of the Act or a person specified in Article 297:
- (a) the resume;
  - (b) an extract of the resident record, or alternative documents;
  - (c) if the former surname and given name are stated together with the current name in a written application for registration referred to in Article 66-28, paragraph (1) of the Act and the document set forth in sub-item (b) is not a document certifying the former surname and given name, a document certifying the former surname and given name;
- (iv) the following documents concerning the responsible person for compliance with laws and regulations, etc., the person that is responsible for supervising rating analysts in the process of assigning credit ratings, and the members of the monitoring committee:
- (a) the resumes;
  - (b) extracts of the resident records, or alternative documents;
  - (c) if the former surname and given name are stated together with the current name in a written application for registration referred to in Article 66-28, paragraph (1) of the Act, and the document set forth in sub-item (b) is not a document certifying the former surname and given name, a document certifying the former surname and given name;

- (v) a document stating the reasons for finding that the independent members (meaning independent members specified in Article 306, paragraph (1), item (xvii), sub-item (a)) of the monitoring committee have independence;
  - (vi) a document stating the outline of the capital relationship, personnel relationship, and business relationship in the most recent year, between the registration applicant and an associated corporation of the registration applicant which is another registration applicant or credit rating agency that jointly conducts credit rating activities with the registration applicant;
  - (vii) a document stating the following matters as the situation of an associated corporation of the registration applicant (excluding an associated corporation of the registration applicant which is another registration applicant or credit rating agency that jointly conducts credit rating activities with the registration applicant):
    - (a) the outline of the capital relationship, personnel relationship, and business relationship in the most recent one year between the registration applicant and their associated corporation;
    - (b) the name of the country in which the head office, principal business office or office of the associated corporation (limited to a foreign corporation) of the registration applicant is located, and if the corporation is supervised by a foreign administrative organ, etc. in that country, that fact and the name and location of the foreign administrative organ, etc.;
  - (viii) the most recent balance sheet (including the related notes; the same applies in the following paragraph) and the most recent profit and loss statement (including the related notes; the same applies in that paragraph); and
  - (ix) if the registration applicant possesses any statistics or other information on the changes in credit status of financial instruments or corporations (limited to cases in which the assessment of the credit status is the matter subject to credit ratings), a document stating the information.
- (2) If the documents set forth in item (viii) of the preceding paragraph are to be attached, and the balance sheet or the profit and loss statement has been prepared as an electronic or magnetic record, the electronic or magnetic record (limited to an electronic or magnetic record prescribed in the following Article) may be attached in lieu of those documents.
- (3) If the registration applicant has obtained the registration referred to in Article 66-27 of the Act, and seeks to obtain the approval under the provisions of Article 306, paragraph (2) or (3), the registration applicant may attach the document set forth in paragraph (4) of that Article to the written application for registration.
- (4) If the registration applicant has obtained the registration referred to in Article 66-27 of the Act, and seeks to obtain approval under the provisions of

Article 306, paragraph (6), the registration applicant may attach the document set forth in paragraph (7) of that Article to the written application for registration.

(Electronic or Magnetic Records)

Article 301 (1) The electronic or magnetic record specified by Cabinet Office Order as prescribed in Article 66-28, paragraph (3) of the Act is to fall under any of the following structures:

- (i) a 90mm flexible magnetic disc cartridge that complies with JIS X6223;
  - (ii) a 120mm optical disc that complies with JIS X0606 and X6282.
- (2) Record in the electronic or magnetic record referred to in item (i) of the preceding paragraph must be made in accordance with the following methods:
- (i) with regard to a track format, the method specified in JIS X6225; and
  - (ii) with regard to volume and file configuration, the method specified in JIS X0605.
- (3) The following matters must be stated for the electronic or magnetic record referred to in paragraph (1):
- (i) the trade name or name of the registration applicant; and
  - (ii) the date of application.

(Public Inspection of the Register of Credit Rating Agencies)

Article 302 The Commissioner of the Financial Services Agency is to keep a register of credit rating agencies for the credit rating agencies Commissioner has registered at the Financial Services Agency, and make the register available for public inspection.

(A Person Unable to Properly Perform Business Related to Credit Rating Services Due to a Mental or Physical Disorder)

Article 302-2 The person specified by Cabinet Office Order as prescribed in Article 66-30, paragraph (1), item (iii), sub-item (a) of the Act is a person who is unable to adequately carry out the cognition, decision making, and communication necessary for properly performing business related to credit rating services due to mental impairment.

(Examination Criteria for Developing Organizational Systems)

Article 303 When conducting an examination on whether the registration applicant is a corporation not acknowledged to have developed an organizational system necessary for the fair and appropriate performance of the credit rating business, the examination on whether there is a risk of losing credibility of credit rating business due to the existence of any officer or employee of the registration applicant with qualifications inappropriate for

operating business in light of their personal history, relationship with an organized crime group as defined in Article 2, item (ii) of the Act on Prevention of Illegal Acts by Organized Crime Group Members, relationship with an organized crime group member as defined in item (vi) of that Article, or other circumstances, in addition to examining the document stating the matters set forth in Article 299 and the document set forth in Article 300, paragraph (1).

(Notification of Changes to Matters to be Stated in Written Applications for Registration)

Article 304 A credit rating agency that files a notification pursuant to the provisions of Article 66-31, paragraph (1) of the Act must submit to the Commissioner of the Financial Services Agency a written notification stating the content, the date of the change, and the reason for the change, by attaching a document stating the changed content which is prepared by using the Appended Form No. 27, a copy of that document and the documents specified in the following items in accordance with the category of the cases set forth in each of those items; provided, however, that if there are compelling reasons, it is sufficient to submit the documents specified in each of the following items without delay after the submission of the notification:

- (i) if there is any change to the matters set forth in Article 66-28, paragraph (1), item (i) of the Act: the certificate of registered information stating the matters changed, or alternative documents;
- (ii) if there is any change to the matters set forth in Article 66-28, paragraph (1), item (ii) of the Act: the following documents:
  - (a) the document stating the personnel structure and the system for conducting business of the organization;
  - (b) the certificate of registered information stating the changed matters, or alternative documents;
  - (c) the following documents concerning a person that has newly assumed the position of an officer:
    - 1. resume of the officer (if the officer is a corporation, the document stating the background of the officer);
    - 2. an extract of the resident record (if an officer is a corporation, the certificate of registered information of the officer), or alternative documents;
    - 3. if the former surname and given name are stated together with the current name in a document stating the changed content which is prepared using the Appended Form 27 and the document set forth in 2. is not a document certifying the former surname and given name, a document certifying the former surname and given name;
    - 4. the certificate issued by a public agency certifying that the officers do



- not fall under Article 29-4, paragraph (1), item (ii), sub-item (b) of the Act, or alternative documents;
  - 5. the document with which the officer pledges that they do not fall under any of Article 29-4, paragraph (1), item (ii), sub-items (c) through (i) or Article 66-30, paragraph (1), item (iii), sub-item (a) of the Act;
  - 6. the document with which the officer pledges that the corporation does not fall under Article 66-30, paragraph (1), item (iii) (limited to the part related to sub-item (a));
- (iii) if there is any change to the matter set forth in Article 298, item (i): the following documents concerning a person that has newly assumed the position of the representative in Japan who is specified in Article 66-28, paragraph (1) of the Act, or that has newly assumed the position of a person specified in Article 297:
- (a) the resume; and
  - (b) an extract of the resident record, or alternative documents;
  - (c) if the former surname and given name are stated together with the current name in a document stating the changed matters, which has been prepared using the Appended Form 27 and the document set forth in sub-item (b) is not a document certifying the former surname and given name, a document certifying the former surname and given name;
- (iv) if there is any change to the matter set forth in Article 298, item (ii): a document stating the outline of the capital relationship, personnel relationship, and business relationship in the recent one year, between the credit rating agency and its new associated corporation;
- (v) if there is any change to the matter set forth in Article 298, item (iii): a document stating the following matters:
- (a) the outline of the capital relationship, personnel relationship, and business relationship in the recent one year, between the credit rating agency and its new associated corporation;
  - (b) the name of the country in which the head office, principal business office, or office of the new associated corporation (limited to a foreign corporation) of the credit rating agency is located, and, if it is subject to supervision by any foreign administrative organ, etc. in that state, to that effect, and the name and location of the foreign administrative organ, etc.;
- (vi) if there is any change to the matter set forth in Article 298, item (v): the following documents concerning a person that has newly assumed the position of the responsible person for compliance with laws and regulations, etc., the person responsible for supervising rating analysts in the process of assigning credit ratings, or the members of the monitoring committee:
- (a) the resumes;
  - (b) extracts of the resident records, or alternative documents; and

- (c) if the former surname and given name are stated together with the current name in a document stating the changed content which has been prepared using the Appended Form 27 and the document set forth in sub-item (b) is not a document certifying the former surname and given name, a document certifying the former surname and given name.

(Notification on Change to the Content or Method of Business)

Article 305 A credit rating agency that files a notification pursuant to the provisions of Article 66-31, paragraph (3) of the Act must submit a written notification stating the content of the change, the date of the change, and the reason for the change, by attaching a document stating the matters set forth in the items of Article 299 (limited to the matters whose content have been changed) to the Commissioner of the Financial Services Agency.

## **Section 2 Business**

(Development of Operational Control Systems)

Article 306 (1) The operational control system required to be developed by a credit rating agency pursuant to the provisions of Article 66-33, paragraph (1) of the Act must satisfy the following requirements:

- (i) that measures for a credit rating agency to maintain a fair and impartial attitude at all times, and perform credit rating activities at their own discretion and responsibility are taken;
- (ii) if a person in charge of rating becomes involved in the process of assigning credit ratings to the matters in which the same rating entity, etc. continuously has an interest, that any of the following measures has been taken to enable the person to fairly and faithfully conduct their duties in an independent capacity :
  - (a) if a chief rating analyst involved in the process of assigning credit rating has been involved in the process of assigning credit ratings to matters in which the same rating entity, etc. has an interest for five consecutive years, the measures for preventing the rating entity, etc. from becoming involved in the process of assigning credit ratings to the matter in which the rating entity, etc. has an interest for two years thereafter;
  - (b) the measures to ensure that the final decision in assigning credit ratings as a credit rating agency is made by a judicial panel, and, prevent the members whose number is one third or more of the total number of the members of the judicial panel from being involved in the process of assigning credit ratings to the matters for which the same rating entity, etc. continuously has an interest in (if the assessment of the credit status of products other than asset securitization products is the matters subject

to credit rating, and two or more credit ratings which have the same matter as the matters subject to credit rating has been assigned in the same business year, those two or more credit ratings are deemed to be a single credit rating);

- (iii) the measures have been taken to prevent a person for whom there is material doubt in performing credit rating activities in a fair manner from being employed;
- (iv) the measures for developing the following systems for securing the proper business operation of the credit rating agencies have been taken:
  - (a) a system to ensure that the officers will efficiently execute their duties;
  - (b) a system concerning the preservation and management of information on the execution of duties by officers;
  - (c) a system for preventing credit rating agencies from providing a credit rating different from the assigned credit rating or making the credit rating available for public inspection, or other systems for preventing making clerical errors related to credit rating activities; and
  - (d) regulations and other systems for managing risk of loss;
- (v) the following measures to secure compliance with laws and regulations, etc. have been taken:
  - (a) the formulation of policies and procedures concerning compliance with laws and regulations, etc.;
  - (b) the formulation of policies clarifying where the responsibility for the appointment of the responsible person for compliance with laws and regulations, etc. lies and where the responsibility for compliance with laws and regulations, etc. lies;
  - (c) the following measures in addressing cases in which an employee finds an act in violation of laws and regulations, etc.:
    - 1. the measures for notifying officers and the responsible person for compliance with laws and regulations, etc. with the content of the act when an employee of a credit rating agency has discovered an act in violation of laws and regulations;
    - 2. the appropriate measures to be taken by the officers and the responsible person for compliance with laws and regulations who has received the notice, in order to prevent acts that violate laws and regulations, etc. from being committed at credit rating agencies; and
    - 3. the measures to ensure that the person that has made the notice is not treated unfavorably on account of having made the notice;
- (vi) the following measures concerning the formulation and enforcement of policies on quality management of the process of assigning credit ratings have been taken:
  - (a) the measures for ensuring sufficient personnel with expert knowledge and

- skills that enable them to appropriately and smoothly conduct credit rating business (if its final decision as a credit rating agency in determining a credit rating is to be made by a council, including the method of appointing members of the judicial panel, the decision-making method of that panel, and other measures for ensuring that the expert knowledge and skills of employees are to be exerted in an appropriate manner);
- (b) the measures for ensuring that the information to be used in assigning credit ratings is of sufficient quality;
  - (c) if it is not possible to sufficiently secure personnel with expert knowledge and skills for assigning credit ratings, or it is not possible to secure sufficient quality for the information to be used for assigning credit ratings, the measures for preventing the credit rating from being assigned ;
  - (d) the measures for developing the functions to properly verify the appropriateness and effectiveness of the policy, etc. for assigning ratings (if there is any change to the characteristics of the credit status of the underlying assets of asset securitization products, including measures to secure the proper verification of the appropriateness and effectiveness of the policy, etc. for assigning ratings of those asset securitization products);
  - (e) if a material change is made to the policy, etc. for assigning ratings, the measures to publicize without delay, the scope of credit ratings for which decision should be made on whether or not to make a renewal based on the changed policy, etc. for assigning ratings among the credit ratings assigned based on the former policy, etc. for assigning ratings and the period of time required for the renewal, and for making the necessary renewal within that period of time;
  - (f) the measures for verifying whether it is possible to properly assign credit rating whose subject is assessment of the credit status of asset securitization products (limited to cases in which the design of the asset securitization product is substantially different from the design of the asset securitization products to which credit ratings were assigned in the past);
  - (g) the measures for verifying and renewing credit ratings that have already been assigned in appropriately and continuously (if it has been decided not to conduct the verification or renewal, including measures for publicizing that fact and other necessary information);
- (vii) the following measures for preventing a conflict of interest related to credit rating business have been taken:
- (a) the measures to appropriately identify activities that cause or are likely to cause a conflict of interest (hereinafter referred to as "specified activities" in this Chapter) among credit rating activities, and ensure that the activities do not harm the interests of investors (including the

following measures; hereinafter referred to as "measures for avoiding a conflict of interest" in this Chapter):

1. the measures for preventing persons in charge of rating from conducting purchase and sale or other transactions of securities which may cause a conflict of interest;
  2. the measures for preventing an officer or employee from being involved in the process of assigning credit ratings of matters in which the rating entity, etc. has an interest, if a conflict of interest is likely to occur between an officer or employee and a rating entity, etc.;
  3. in the following cases in which a conflict of interest is likely to occur between a credit rating agency and a rating entity, etc., the measures for ensuring that the credit rating agency does not harm the interests of investors in assigning credit ratings of matters in which a rating entity, etc. has interests:
    - i. if a credit rating agency has been financed (including guarantee of obligations and offering of collateral) by a rating entity, etc.;
    - ii. if a holder of five percent or more of the voting rights held by all the shareholders, etc. of a credit rating agency (excluding voting rights prescribed in Article 15-2) is a rating entity, etc.;
    - iii. if a rating entity, etc. is to act as an underwriter of securities issued by a credit rating agency; or
    - iv. if a credit rating agency has received a large amount of money or other economic benefits as consideration for services other than the services related to credit rating activities from a credit rating agency;
  4. the measures to prevent a person in charge of ratings from making an approach themselves for the purpose of assuming the position of an officer or other equivalent positions of the rating entity, etc.;
  5. if a rating analyst that no longer is an officer or employee of a credit rating agency has assumed the position of an officer or other equivalent positions of a rating entity, etc., the measures to verify the appropriateness of credit ratings of matter in which a rating entity, etc. has an interest (limited to cases in which the rating analyst has been involved in the process of assigning the credit rating within two years before the day when they ceased to be an officer or employee of the credit rating agency);
- (b) the measures for publicizing the types of specified activities and the outline of the measures for avoiding a conflict of interest, by appropriate means;
- (viii) the measures to ensure that the acts concerning related business and other businesses do not unduly influence credit rating activities have been

- taken;
- (ix) if the assessment of the credit status of asset securitization products is the matter subject to credit rating, the following measures that enable a third party to verify the appropriateness of the credit rating in an independent capacity have been taken:
    - (a) to organize items of information that are found to be significant for a third party to assess the appropriateness of the credit rating and publicize those items;
    - (b) to make an approach to a rating entity, etc. to take measures to enable a third party to publicize the information on the asset securitization products (including items publicized based on sub-item (a)) and verify the appropriateness of the credit rating;
    - (c) to publicize the content of the approaches made by a credit rating agency based on sub-item (b) and their results (meaning the results heard from a rating entity, etc. concerning of state of disclosure of information on the asset securitization products);
  - (x) the policy for determining the remuneration, etc. (remuneration, bonus, and other economic benefits to be received from a credit rating agency as consideration for performing duties; hereinafter the same applies in this Chapter) of the officers or employees of a credit rating agency (limited to a policy that has the following matters as the content) has been formulated, and, the measures to ensure that the policy does not compromise the credit rating business to be conducted in a fair and accurate manner (including measures related to developing an organizational system for periodically reviewing the policy):
    - (a) the amount of the remuneration, etc. for the responsible person for compliance with laws and regulations, etc. is not affected by the results of credit rating business; and
    - (b) the amount of the remuneration, etc. for the person in charge of ratings is not affected by the amount of the rating fee for the credit rating (the amount of money and the value of other properties to be paid or required to be paid to a credit rating as consideration for assigning credit ratings; hereinafter the same applies in this Chapter);
  - (xi) the measures to prevent the person in charge of ratings from participating in negotiations for determining the rating fee for the credit rating have been taken;
  - (xii) the following measures for properly managing information and maintaining confidentiality of the information that a person in charge of ratings has learned about credit rating business have been taken:
    - (a) the measures to ensure that information or secrets which a person in charge of ratings has come to know concerning credit rating business will

- not be used for purposes than the purpose found necessary for conducting credit rating business in a fair and accurate manner;
- (b) the measures to prevent the leakage of secrets by identifying the scope of the secrets and the persons that are able to learn the secrets in the course of their duties, and specifying the method of managing the secrets;
  - (xiii) the measures for appropriately and promptly addressing the complaints against a credit rating agency (including measures for developing an organizational system for reporting the complaints to officers of the credit rating agency) have been taken;
  - (xiv) the measures for conducting credit rating business in accordance with the rating policy, etc. (including measures related to training of rating analysts) have been taken;
  - (xv) the measures for preventing false representation, or representation that may lead to a misunderstanding on material matters, concerning the general features of the assessment results of the credit status of any financial instruments or corporations have been taken;
  - (xvi) if an act concerning related business is to be conducted, the measures to prevent the act from being misunderstood as an act related to credit rating business have been taken;
  - (xvii) the measures for establishing a committee that satisfies the following requirements (hereinafter referred to as "monitoring committee" in this Chapter) in order to ensure that the measures set forth in each of the preceding items are taken in an appropriate manner have been taken:
    - (a) one-third or more of the committee members (two or more committee members, if the number of committee members is three or less) are persons not officers (excluding company auditors, auditors, or other persons equivalent to them) or employees (hereinafter referred to as "relevant officers, etc." in sub-item (a)) of a credit rating agency, its subsidiary corporation, another corporation that has the credit rating agency as its subsidiary corporation, or a subsidiary corporation of another corporation that has the credit rating agency as its subsidiary corporation (excluding the credit rating agency), and, are persons that has not become relevant officers and employees, etc. within the past five years (the persons are hereinafter referred to as "independent committee member" in this Chapter);
    - (b) the majority of the committee members have expert knowledge concerning finance;
    - (c) the amount of the remuneration, etc. of the independent committee members is not affected by the results of credit rating business of a credit rating agency;
    - (d) independent committee members will not be dismissed against their will

- while in office, when they have committed a wrongful act, excluding cases in which it is found that they have committed breach of professional obligations, or required to be dismissed under laws and regulations;
- (e) the opinions of the independent committee members are periodically submitted to the monitoring committee.
- (2) The provisions of item (ii) of the preceding paragraph do not apply if it is found to be difficult for a credit rating agency to comply with those provisions when taking into account the number of officers and employees of the credit rating agency, the feature, size, and complexity of the credit rating business and other circumstances, and, is found that taking other alternative measures will enable the officers and employees of the credit rating agency to conduct their business independent from the rating entity, etc. and in a fair and faithful manner, and the Commissioner of the Financial Services Agency gives approval.
- (3) The provisions of paragraph (1), item (xvii) do not apply if it is found to be difficult for a credit rating agency to comply with those provisions when taking into account the number of officers and employees of the credit rating agency, the feature, size, and complexity of credit rating business and other circumstances, and, is found that taking other alternative measures will ensure the credit rating agency to have properly taken the measures set forth in the items of that paragraph (excluding item (xvii)), and the Commissioner of the Financial Services Agency gives approval.
- (4) If a credit rating agency seeks to obtain an approval under the provisions of the preceding two paragraphs, it must submit a written application for approval with the following documents attached to the Commissioner of the Financial Services Agency:
- (i) a written statement of reasons;
  - (ii) a document stating the number of officers and employees;
  - (iii) a document stating the feature, size, complexity of the credit rating business, and other circumstances;
  - (iv) a document stating the content of alternative measures; and
  - (v) a document stating other information that should serve as a reference.
- (5) If two or more credit rating agencies (limited to a case in which two or more credit rating agencies are associated corporations, and share the same representative in Japan or the same person prescribed in Article 297) are to jointly conduct credit rating activities on a regular basis, those two or more credit rating agencies may jointly develop their operational control system.
- (6) The provisions of paragraph (1) (limited to item (ii), item (iv), item (vii), sub-item (a), 3. through 5., item (ix), and item (xvii), and excluding the provisions related to domestic business offices or offices of a credit rating agency (limited to a foreign corporation; hereinafter the same applies in this paragraph and



the following paragraph)) do not apply, if it is found that the credit rating agency is able to fairly and appropriately conduct business by taking other alternative measures, and it is found that the credit rating agency is appropriately supervised by a foreign administrative organ in conducting business in a fair and appropriate manner by implementing the alternative measures, and the Commissioner of the Financial Services Agency gives approval.

- (7) If a credit rating agency seeks to obtain an approval under the provisions of the preceding paragraph, it must submit an application for approval by attaching the following documents to the Commissioner of the Financial Services Agency:
- (i) a statement of reasons;
  - (ii) a document stating the content of other alternative measures;
  - (iii) a certificate that the credit rating agency is under appropriate supervision of a foreign administrative organ;
  - (iv) a document stating of other information that should serve as a reference; and
  - (v) a legal opinion letter by legal experts on the fact that the matters concerning laws and regulations stated in the documents set forth in the preceding items are true and accurate, and a copy of the relevant provisions of the related laws and regulations set forth in the legal opinion letter.
- (8) The Commissioner of the Financial Services Agency may attach conditions or due date to the approval referred to in paragraph (2), paragraph (3), or paragraph (6), change them, or revoke the approval.

(Rating Entity, etc.)

Article 307 (1) The persons specified by Cabinet Office Order as prescribed in Article 66-33, paragraph (2) of the Act are the persons specified in the following items in accordance with the category of cases prescribed in each of those items (including the persons found to be substantially the same as those persons):

- (i) if the assessment of the credit status of a corporation is the matter subject to credit rating: that corporation (excluding the corporation set forth in Article 24, paragraph (1), item (iv) of Cabinet Office Order on Definitions under Article 2 of the Financial Instruments and Exchange Act), and the trustee of the business affairs related to the structures of the corporation; and
- (ii) if the assessment of the credit status of a financial instrument is the matter subject to credit rating: the financial instruments (only if the financial instruments are securities) or debtor (only if the financial instruments are claims), and entrustees of the affairs concerning formation of the financial

instrument.

- (2) Notwithstanding the provisions of the preceding paragraph, the person specified by Cabinet Office Order as prescribed in Article 66-33, paragraph (2) of the Act is the person set forth in the following items (including the persons found to be substantially the same as those persons) if the assessment of the credit status of the asset securitization products is subject to credit rating:
- (i) the main holder of the underlying assets referred to in Article 295, paragraph (3), item (i), sub-item (a), 1., sub-item (b), 1. or 2., when the asset securitization products satisfy the requirements set forth in sub-item (a) or (b) of that item;
  - (ii) a third party (limited to the main third party) referred to in Article 295, paragraph (3), item (i), sub-item (c), 1. or sub-item (d), 1., when the asset securitization products satisfy the requirements set forth in sub-item (c) or (d) of that item;
  - (iii) a special purpose corporation referred to in Article 295, paragraph (3), item (i), sub-item (a) or (c), when the asset securitization products satisfy the requirements set forth in sub-item (a) or (c) of that item; and
  - (iv) a consignee of work related to the composition of the asset securitization products.
- (3) If the matters subject to credit rating are securities or claims related to monetary loans that satisfy any of the requirements set forth in Article 295, paragraph (3), item (i), sub-items (a) through (e) and are the assessment of credit status of financial instruments prescribed in sub-item (f) of that item, the assessment of credit status of the underlying assets referred to in sub-item (f) of that item is deemed to be subject to credit rating and the provisions of paragraph (1), item (ii) apply; if the matters subject to credit rating are securities or claims related to monetary loan that satisfy any of the requirements set forth in Article 295, paragraph (3), item (i), sub-items (a) through (e) and are the assessment of credit status of financial instruments prescribed in sub-item (g) of that item, the assessment of credit status of securities issued by a person that concludes a loan contract of funds or claims related to the loan of funds to that person is deemed to be subject to credit rating and the provisions of paragraph (1), item (ii) apply.

(Close Relationships with Rating Entity, etc.)

Article 308 (1) The close relationship specified by Cabinet Office Order as prescribed in Article 66-35, item (i) of the Act, is the relationship between the credit rating agency or its officers or employees, and the rating entity, etc. in the following cases:

- (i) if the person in charge of ratings at the credit rating agency is the officer of the rating entity, etc. or an equivalent person;

- (ii) if the person in charge of ratings of the credit rating agency is a relative (limited to a spouse, and a relative by blood and a relative by affinity of the first degree of kinship) of the officer or an equivalent person of the rating entity, etc. (excluding the cases set forth in the preceding item);
  - (iii) if a credit rating agency or its person in charge of rating is a holder of securities issued by the rating entity, etc. (excluding securities set forth in Article 2, paragraph (1), items (i) and (ii) and those set forth in item (xvii) of that paragraph (limited to those that have the nature of the securities set forth in items (i) and (ii) of that paragraph); or
  - (iv) if a credit rating agency or its person in charge of ratings is a person that has the rights related to derivatives transactions (limited to derivative transactions related to securities issued by the rating entity, etc. or related to the rating entity, etc.).
- (2) The holder referred to in item (iii) of the preceding paragraph and the person that has the right referred to in item (iv) of that paragraph include the following persons in addition to a person that holds securities under their own name or other person's name (including a pseudonym) (including a person that has a right to request the delivery of securities based on a purchase and sale or other contracts), or holds the right:
- (i) a person that has the authority to exercise the voting rights or other rights as a shareholder of the issuer of securities, or the authority to give instructions on the exercise of the voting rights or other rights, based on the provisions of a money trust agreement or other contracts, or provisions of laws; and
  - (ii) a person that has the authority necessary to make an investment in securities, based on the provisions of discretionary investment contracts or other contracts, or provisions of laws.

(Matters in Which Rating Entity Has an Interest)

Article 309 The matters specified by Cabinet Office Order as prescribed in Article 66-35, item (i) of the Act are as follows:

- (i) the assessment of the credit status of the rating entity, etc.;
- (ii) if the rating entity, etc. is an issuer of financial instruments (limited to cases in which the financial instruments are securities) or debtor (limited to cases in which the financial instruments are claims), the assessment of the credit status of those financial instruments; and
- (iii) if the rating entity, etc. is a consignee of work related to compositions, the assessment of the credit status of financial instruments or corporations related to the compositions.

(Matters That Should Materially Influence Credit Ratings)

Article 310 The matters specified by Cabinet Office Order as prescribed in Article 66-35, item (ii) of the Act are as follows:

- (i) if the assessment of the credit status of a corporation, securities issued by the corporation, or claims against the corporation is the matter subject to credit rating, the organizational form and the composition of the major assets and liabilities, of the corporation; and
- (ii) if the assessment of financial instruments or a corporation is the matter subject to credit rating, material matters on the design of the financial instruments or the corporation.

(Type of Advice Excluded from Prohibition)

Article 311 The case specified by Cabinet Office Order as prescribed in Article 66-35, item (ii) of the Act, is the case in which the credit rating agency has provided an explanation of the impact of the information or facts provided by the rating entity, etc. has on credit rating, based on the credit rating policy, etc. and any matters related to the policy.

(Prohibited Acts)

Article 312 The acts specified by Cabinet Office Order as prescribed in Article 66-35, item (iii) of the Act are as follows:

- (i) before making a credit assessment (meaning a credit assessment as defined in Article 2, paragraph (34) of the Act; hereinafter the same applies in this Chapter), an act of promising to provide the specified credit rating as the result of the credit assessment or provide them for public inspection with a rating entity, etc. in advance (excluding an act of providing a rating entity, etc. with expected credit ratings based on the policy, etc. for assigning ratings and other related matters in advance);
- (ii) during the process of a rating entity, etc. of a credit rating agency assigning a credit rating, in response to money or goods delivered by a rating entity, etc. (excluding money or goods whose total amount for one day is three thousand yen or less, and, those that are found to be necessary in business), to demand their delivery, or to accept an offer for their delivery; and
- (iii) if the assessment of the credit status of asset securitization products is the matter subject to credit rating, the act of refusing to determine the credit rating for the assessment of credit status of asset securitization products, merely for the reason that the other credit rating agency had already determined the credit rating for the assessment of the credit status of those asset securitization products or the relevant underlying assets.

(Matters to Be Stated in the Rating Policy)

Article 313 (1) A rating policy, etc. prescribed in Article 66-36, paragraph (1) of

the Act must be specified by stating the following matters:

- (i) the policy and method concerning assigning of credit ratings (hereinafter referred to as "policy, etc. for assigning ratings" in this Chapter); and
  - (ii) the policy and method concerning acts of providing the credit ratings or making them available for public inspection (hereinafter referred to as "policy, etc. for providing ratings" in this Article).
- (2) The policy, etc. for assigning ratings must satisfy the following requirements:
- (i) it is strict and systematic;
  - (ii) judgments are to be made by comprehensively taking into account all the information data related to the credit status of the collected financial instruments or the corporation (only if the assessment of the credit status is the matter subject to credit rating);
  - (iii) that the policy states the following matters in accordance with the category of the matters subject to credit rating and their particulars:
    - (a) the criteria used for identifying the matters that are the preconditions for the assessment of the credit status, and the criteria used for specifying the grades that indicate the results of the assessments of the credit status; and
    - (b) an outline of the method for assigning credit ratings.
  - (iv) that the policy states the policy and method that enable a rating entity, etc., to verify whether there is any misunderstanding of the facts on the main information used by the credit rating agency in assigning the credit rating (including the policy and method for securing a reasonable length of time for the rating entity, etc. to express its opinions) in advance before providing the determined credit rating or making them available for inspection; and
  - (v) that the policy states the policy and method for assigning credit ratings, when assigning credit ratings without a request from a rating entity, etc.;
- (3) The policy, etc. for providing ratings must satisfy the following requirements:
- (i) it provides that the acts of providing the assigned credit ratings or providing them for public inspection are to be conducted without delay after assigning the credit ratings;
  - (ii) it provides that the acts of providing the assigned credit ratings or providing them for public inspection are to be broadly conducted for the general public;
  - (iii) if the assigned credit ratings are provided or made available for public inspection, the policy, etc. provides that the following matters are to be publicized by using the internet or by other means; provided, however, that if the assessment of the credit status of asset securitization products is the matter subject to credit rating, the credit rating agency may publicize the business type, the business size and region it is located of the persons set forth in item (i) or (ii) of that paragraph and the reasonable grounds for not publicizing the matters, in lieu of the matters set forth in sub-item (e)

(limited to the names of the persons set forth in Article 307, paragraph (2), item (i) or (ii)),:

- (a) the trade name or name and the registration number of the credit rating agency, and the content of the supervisory measures taken against the credit rating agency in the most recent one year;
- (b) the year, month and date the credit rating have been assigned;
- (c) the name of the chief rating analyst involved in the process of assigning credit ratings, and the name of the person that is responsible for assigning credit ratings as a representative of the credit rating agency;
- (d) the outline of the matters set forth in item (iii) of the preceding paragraph adopted in assigning credit ratings (for the matters set forth in sub-item (b) of that item, limited to material matters) and the matters subject to credit rating;
- (e) the name of the rating entity, etc.;
- (f) if the assessment of the credit status of the asset securitization products are the matters subject to credit rating, and, the assessment is substantially different from the design of asset securitization products that the credit rating agency for which credit ratings has been assigned in the past;
- (g) if credit ratings have been assigned without being requested by a rating entity, etc., that fact and the distinction of whether information not disclosed by the rating entity, etc. (limited to information that is found to have a material impact on credit assessment) has been obtained in the process of assigning credit ratings;
- (h) if the credit rating agency will not renew the credit ratings assigned, that fact and the reasons for that;
- (i) explanation on the precondition, significance, and limitation of the assigned credit rating, in accordance with the category of the matters subject to credit rating (if explanation on the features of fluctuations of credit ratings and the matters subject to credit ratings are the assessment of the credit status of financial instruments whose information on the changes of the credit status are limited, including explanation on the limitations of the credit ratings);
- (j) the following matters concerning the main information used in assigning credit ratings:
  - 1. an outline of the information;
  - 2. an outline of the measures taken for the purpose of assuring the quality of the information; and
  - 3. the provider of the information;
- (k) if the matters that are subject to the assigned credit rating concerns the assessment of the credit status of asset securitization products, the

following matters:

1. information on the analysis of loss, cash flow, and sensitivity; and
  2. the marks, numbers, or other representations for clearly indicating that the matters that are subject to the determined credit rating are the assessment of the credit status of asset securitization products (including an explanation for enabling investors to understand the significance and limitation of the credit rating based on those representations);
- (iv) the policy provides that information on the revocation of the determined credit rating is to be provided without delay; and
- (v) the policy provides not to make a representation that may lead to an misunderstanding that the appropriateness of the results of credit assessment has been guaranteed by the Commissioner of the Financial Services Agency or other administrative organs.

(Means of Publicizing Rating Policies)

Article 314 (1) A credit rating agency must publicize its rating policy, etc. in a manner allows easy access to the rating policy, etc. by investors and credit rating users, by means of using the internet or other means.

(2) If two or more credit rating agencies (limited to a case in which those two or more credit rating agencies fall under associated corporations and share the same person as the representative in Japan or as the person prescribed in Article 297) jointly perform credit rating activities on a regular basis, those two or more credit rating agencies may jointly formulate and publicize the rating policy, etc.

(3) When making a material change to the rating policy, etc., a credit rating agency is to publicize the fact that the change will be made and the outline of the change in advance; provided, however, that if there are compelling reasons, it is sufficient to publicize the reasons, the fact that the change has been made, and the outline of the change without delay after making the change.

### **Section 3 Accounting**

(Books and Documents on Business Operations)

Article 315 (1) The books and documents to be prepared by a credit rating agency pursuant to the provisions of Article 66-37 of the Act are as follows:

- (i) the records related to the following information on the credit ratings assigned:
  - (a) the determined credit rating, the year, month, and date the credit rating has been assigned, and the matter subject to the credit rating;
  - (b) the matters set forth in Article 313, paragraph (3), item (iii);

- (c) the name of the rating analyst that was involved in the process of assigning credit ratings and the name of the person responsible for assigning credit ratings as a representative of a credit rating agency;
- (d) if the final decision-making as a credit rating agency in assigning credit ratings is to be adopted by a panel, the names of the members of the panel, the materials submitted to the panel, and the basis of the decision-making and other records (if the final decision-making is not adopted by a panel, that fact and the reasons for that);
- (e) if an associated corporation has been involved in the process of assigning credit ratings, the name and location of the associated corporation;
- (f) if credit assessment has been made based mainly on quantitative analysis, and if there is significant difference between the results of the credit assessment based on the quantitative analysis and the credit rating assigned, the main matters that caused the difference;
- (g) the materials that serve as the basis for assigning credit ratings (including records on the progress of negotiations with the rating entity, etc.);
- (h) whether the credit rating was assigned in response to request from a rating entity, etc.;
- (i) the outline of the measures taken to verify the existence of conflict of interest between a credit rating agency and person in charge of ratings, and a rating entity, etc., and other measures taken to prevent a conflict of interest;
- (ii) a record of the following matters concerning a rating entity, etc. that has paid any fees to a credit rating agency:
  - (a) the name and domicile;
  - (b) the amount of the fee; and
  - (c) the content of the services for which the fee has been paid;
- (iii) a document stating the outline of the services or products provided by a credit rating agency;
- (iv) a document concerning the credit assessment on which policy etc. for assigning ratings has been based;
- (v) a document stating the results of the investigation on the status of compliance with laws and regulations, etc.;
- (vi) a document stating the specified activities and measures for avoiding a conflict of interest;
- (vii) the minutes of meetings of the monitoring committee;
- (viii) a record on the progress of important negotiations between officers or employees of a credit rating agency and a rating entity, etc. (limited to records concerning credit rating activities);
- (ix) a document or an electronic or magnetic record received from investors and



- other users of credit ratings (limited to documents or electronic or magnetic records that contain statements on complaints concerning credit rating activities); and
- (x) the general ledger.
- (2) The books and documents referred to in the preceding paragraph must be preserved for five years after their preparation.
- (3) If two or more credit rating agencies (limited to cases in which those two or more credit rating agencies are associated corporations, and, share the same representative in Japan or the person specified in Article 297) jointly perform credit rating activities on a regular basis, those two or more credit rating agencies may jointly prepare books and documents.

(Business Reports)

- Article 316 (1) A business report required to be submitted by a credit rating agency pursuant to the provisions of Article 66-38 of the Act must be prepared using the Appended Form No. 28.
- (2) When a credit rating agency prepares a business report referred to in the preceding paragraph, they are to comply with accounting practices generally accepted as fair and appropriate.

(Procedures for Obtaining Approval on Due Date for Submitting Business Reports)

- Article 317 (1) If a credit rating agency that is a foreign corporation seeks to obtain the approval referred to in the proviso to Article 18-4-2 of the Order, it must submit a written application for approval stating the following matters to the Commissioner of the Financial Services Agency:
- (i) the trade name or name;
  - (ii) the registration date and the registration number;
  - (iii) the period for which the approval is sought concerning the submission of the business report;
  - (iv) the last day of the business year related to the business report; and
  - (v) the reasons for requiring the approval on the submission of the business report.
- (2) The following documents must be attached to the written application for approval referred to in the preceding paragraph:
- (i) the articles of incorporation, or alternative documents;
  - (ii) a document certifying that the representative (including the representative in Japan who is specified in Article 66-28, paragraph (1) of the Act or the person specified in Article 297) of the credit rating agency that is a foreign corporation stated in the written application for approval is a person that has legitimate authority to submit the written application for approval; and

- (iii) a legal opinion letter by a law expert on the fact that the matters related to laws and regulations or practices stated in the written application for approval are true and accurate, and a copy of the relevant provisions of the related laws and regulations set forth in the legal opinion letter.
- (3) If the application for approval referred to in paragraph (1) has been filed, and it is found that a credit rating agency which is a foreign corporation is unable to submit a business report within three months after the end of the business year due to the laws and regulations or practices of its home country, the Commissioner of the Financial Services Agency is to grant an approval for the business report related to the business year that includes the day the application has been filed (if the day falls within three months from the commencement of the business year (if approval has been granted to the submission of a business report for the immediately preceding business year, within the approved period), the business year immediately preceding the business year) through the business year immediately preceding the business year that includes the day when the reason specified in paragraph (1), item (v) for which the application has been filed ceases to exist or changes.
- (4) The approval referred to in the preceding paragraph is to be granted on the condition that the credit rating agency that is a foreign corporation, etc. referred to in that paragraph submits a document stating the following matters to the Commissioner of the Financial Services Agency within three months from the end of each business year; provided, however, that if the content of the matters set forth in item (ii) is the same as the content of the matters that have been stated in the document submitted within five years before the submission of the document, the entry of those matters may be omitted:
  - (i) the fact that the reasons for the application for approval have not ceased to exist or changed in the business year; and
  - (ii) a legal opinion letter by a legal expert on the matters set forth in the preceding item, and a copy of the relevant provisions of the related laws and regulations set forth in the legal opinion letter.

(Matters to Be Stated in Explanatory Documents)

Article 318 The matters specified by Cabinet Office Order as prescribed in Article 66-39 of the Act are as follows:

- (i) the following matters concerning the profile and the organ of the credit rating agency:
  - (a) the trade name or name;
  - (b) the registration date and registration number;
  - (c) an outline of the organ;
  - (d) the name of the top ten shareholders in descending order of the number of shares held, the number of shares held by those shareholders, and the ratio

- of the number of voting rights related to the shares to the voting rights held by all the shareholders, etc.; and
- (e) the matters set forth in Article 66-28, paragraph (1), items (ii) through (v) of the Act;
- (ii) the following matters concerning the status of the business of the credit rating agency:
  - (a) an outline of the business conducted in the most recent business year;
  - (b) the following matters as indexes of the status of the business of the credit rating agency for the most recent business year:
    - 1. the sales volume (including the breakdown of the consideration for services of credit rating activities and of the consideration for services other than credit rating activities);
    - 2. if the credit rating agency receives a fee exceeding ten percent of the sales volume of the credit rating business from a single rating entity, etc. (including the persons set forth in the items of Article 15-16, paragraph (1) and the items of Article 15-16, paragraph (2), of the Order), the name of the rating entity, etc.;
    - 3. statistics or other information on the changes in credit status of the financial instruments or corporations (limited to cases in which the assessment of the credit status is subject to credit rating);
    - 4. information on the history of the assigned credit rating (limited to information for which one year or more has passed from the day when the credit rating has been assigned);
    - 5. the status of related business and other businesses; and
    - 6. the total number of rating analysts.
  - (c) the schedule of generally applicable fees between a credit rating agency and a rating entity, etc.;
- (iii) the situation of developing the operational control system of a credit rating agency (including an outline of the following matters):
  - (a) if a person in charge of rating is involved consecutively in the processes of determining credit ratings of the matter in which the same rating entity, etc. has an interest, the measures to be taken in order for that person to fairly and faithfully conduct their duties;
  - (b) the measures to be taken for developing the system for securing proper operation of the credit rating business (meaning the measures prescribed in Article 306, paragraph (1), item (iv));
  - (c) the measures for securing compliance with laws and regulations, etc.;
  - (d) the following measures concerning the formation of policies on quality management of the process of assigning credit ratings and its implementation:
    - 1. the policies for hiring and training rating analysts;

2. the assignment of rating analysts;
  3. the measures to be taken for ensuring that the information used for assigning credit ratings is of sufficient quality;
  4. the measures for developing the function to properly verify the appropriateness and effectiveness of the policy, etc. for assigning ratings;
  5. if a material change is made to the policy, etc. for assigning ratings, the measures for publicizing without delay, the scope of the credit ratings for which decision should be made on whether or not to make a renewal based on the changed policy, etc. for assigning ratings among the credit ratings assigned based on the policy, etc. for assigning ratings and the period of time required for the renewal, and for making the necessary renewal within that period of time;
  6. the measures for verifying that it is possible to appropriately assign credit rating whose subject is assessment of the credit status of asset securitization products (limited to cases in which the design of the asset securitization product is substantially different from the design of the asset securitization products to which credit ratings has been assigned in the past) in an appropriate manner;
  7. the measures to be taken in order for credit rating agencies to appropriately and continuously implement verification and renewal of credit ratings that have been assigned;
- (e) the types of specified activities and measures for avoiding a conflict of interest;
  - (f) if a rating analyst that is no longer an officer or employee of a credit rating agency assumes the position of an officer or an equivalent position of a rating entity, etc., the measures to be taken for verifying the appropriateness of a credit rating of matter in which the rating entity, etc. has an interest;
  - (g) the measures to be implemented in order to ensure that acts concerning related business and other businesses do not unduly influence credit rating activities;
  - (h) if the assessment of the credit status of asset securitization products is the matter subject to credit rating, the measures for enabling a third party to verify the appropriateness of the credit rating in an independent capacity;
  - (i) the measures for ensuring that the policy for determining the remuneration, etc. of the officers or employees of a credit rating agency does not hinder the implementation of credit rating business in a fair and accurate manner;
  - (j) the measures to be taken to prevent the a person in charge of ratings from

- participating in negotiations on the fees for the credit rating;
- (k) the measures to be taken to properly manage the information that the person in charge of ratings has learned know about credit rating business and to properly maintain the confidentiality of the information;
- (l) the measures for appropriately and promptly resolving the complaints against credit rating agencies;
- (m) the operational policies of the monitoring committee, and the names of the committee members and the means of their appointment (including the way of thinking on the independence of the independent committee members); and
- (n) the code of conduct to be complied with by a credit rating agency, and its officers and employees;
- (iv) an outline of the rating policy, etc.;
- (v) the following matters concerning the status of the associated corporations and subsidiary corporations of the credit rating agency:
  - (a) the composition of the group of the credit rating agency, and its associated corporations and subsidiary corporations; and
  - (b) the trade name or name of associated corporations and subsidiary corporations, and the location of the principal business office or office and the content of their principal business.

(Means of Public Inspection of Explanatory Documents)

Article 319 (1) A credit rating agency must keep copies of explanatory documents at all of its business offices or offices and make them available for public inspection, and, in addition publicize them by using the internet or by other means to enable easy inspection for investors and users of credit ratings at all times.

- (2) If two or more credit rating agencies (limited to cases in which those two or more credit rating agencies are associated corporations, and share the same representative in Japan or the person specified in Article 297) jointly perform credit rating activities on a regular basis, those two or more credit rating agencies may jointly prepare explanatory documents and publicize them.

(Procedures for Obtaining Approval on Due Date for Public Inspection of Explanatory Documents)

Article 320 (1) If a credit rating agency that is a foreign corporation seeks to obtain the approval referred to in the proviso to Article 18-4-3 of the Order, it must submit a written application for approval stating the following matters to the Commissioner of the Financial Services Agency:

- (i) the trade name or name;
- (ii) the registration date and the registration number;

- (iii) the period for which the approval is sought in relation to the public inspection of the explanatory documents;
  - (iv) the last day of the business year related to the explanatory documents; and
  - (v) the reasons for requiring the approval for public inspection of the explanatory documents.
- (2) The following documents must be attached to the written application referred to in the preceding paragraph:
- (i) the articles of incorporation or alternative documents;
  - (ii) a document certifying that the representative (including the representative in Japan that is specified in Article 66-28, paragraph (1) of the Act and the person specified in Article 297) of a credit rating agency that is a foreign corporation stated in the written application for approval is a person that has legitimate authority to submit the written application for approval; and
  - (iii) a legal opinion letter by a law expert on the fact that the matters related to laws and regulations or practices stated in the written application for approval are true and accurate, and a copy of the relevant provisions of the related laws and regulations set forth in the legal opinion letter.
- (3) If the application for approval referred to in paragraph (1) has been filed, and it is found that a credit rating agency which is a foreign corporation is unable to keep the explanatory documents and make them available for public inspection as well as publicize them by using the internet and by other means from the day on which four months have passed after the end of each business year, the Commissioner of the Financial Services Agency is to grant approval to the explanatory documents related to the business year that includes the day the application has been filed (if the day falls within four months from the commencement of the business year (if e approval has been granted for the public inspection of the business report related to the immediately preceding business year, within the approved period), the business year immediately preceding the business year) through the business year immediately preceding the business year that includes the day when the reason specified in paragraph (1), item (v) for which the application was filed ceases to exist or changes.
- (4) The approval referred to in the preceding paragraph is to be granted on the condition that the credit rating agency that is a foreign corporation, etc. referred to in that paragraph submits a document stating the following matters to the Commissioner of the Financial Services Agency within four months from the end of each business year; provided, however, that if the content of the matters set forth in item (ii) is the same as the content of the matters that have been stated in the document submitted within five years before the submission of the document, the entry of those matters may be omitted:
- (i) the fact that the reasons for the application for approval have not ceased to exist or changed in the business year; and

- (ii) a legal opinion letter by a legal expert on the matters set forth in the preceding item, and a copy of the relevant provisions of the related laws and regulations set forth in the legal opinion letter.

## **Section 4 Supervision**

(Notification of Discontinuation of Business)

Article 321 (1) A person that gives a notification pursuant to the provisions of Article 66-40, paragraph (1) of the Act must submit a written notification stating the matters specified in the following items in accordance with the category of the cases set forth in each of those items to the Commissioner of the Financial Services Agency:

- (i) the case falling under Article 66-40, paragraph (1), item (i) of the Act (other than if the following item and item (iii) apply): the date of and reason for the discontinuation;
  - (ii) if the case falls under Article 66-40, paragraph (1), item (i) of the Act (limited to cases in which the credit rating agency has had all of its business related to credit rating business succeeded to through a split): the following matters:
    - (a) the trade name or name of the successor; and
    - (b) the date of and reasons for the split;
  - (iii) if the case falls under Article 66-40, paragraph (1), item (i) of the Act (limited to cases in which all of the credit rating business was transferred): the following matters:
    - (a) the trade name or name of the transferee; and
    - (b) the date of and the reasons for the transfer;
  - (iv) if the case falls under Article 66-40, paragraph (1), item (ii) of the Act: the following matters:
    - (a) the trade name or name of the counterparty to the merger;
    - (b) the date of and reasons for the merger; and
    - (c) the method of the merger;
  - (v) if the case falls under Article 66-40, paragraph (1), item (iii) of the Act: the following matters:
    - (a) the date when the petition for commencement of bankruptcy proceedings has been filed;
    - (b) the date when the order for commencement of bankruptcy proceedings has been issued;
  - (vi) if the case falls under Article 66-40, paragraph (1), item (iv) of the Act: the date of and reasons for the dissolution.
- (2) The documents specified in the following items in accordance with the category of the cases set forth in each of those items must be attached to the

written notification referred to in the preceding paragraph:

- (i) if the case falls under Article 66-40, paragraph (1), item (ii) of Act: the document stating the content of the merger agreement and the procedures for the merger; and
- (ii) if the case falls under item Article 66-40, paragraph (1), item (iii) of Act: a copy of the written judgment on the order for commencement of bankruptcy proceedings, or a document stating the content of the order for commencement of bankruptcy proceedings.

(Public Notice on Discontinuation of Business)

Article 322 (1) The public notice under the provisions of Article 66-40, paragraph (3) of the Act is to be given in an Official Gazette or by publication in a daily newspaper that publishes matters on current affairs.

(2) The following matters are to be stated in a written notification specified in Article 66-40, paragraph (4) of the Act:

- (i) the trade name or name;
- (ii) the registration date and the registration number;
- (iii) the grounds on which the notification was filed; and
- (iv) the date when the grounds for filing the notification are scheduled to occur.

(Public Notice for Persons Whose Whereabouts Are Unknown)

Article 323 The public notice under the provisions of Article 66-42, paragraph (3) of the Act is to be given in an Official Gazette.

(Public Notice of Supervisory Dispositions)

Article 324 The public notice under the provisions of Article 66-43 of the Act is to be given in an Official Gazette.

(Matters to Note for Purpose of Application)

Article 325 When exercising the authority prescribed in Article 66-41, Article 66-42, paragraph (1) or (2), or Article 66-45, paragraph (1) of the Act, the Commissioner of the Financial Services Agency is to pay attention not to become involved in the specific content of individual credit ratings or method of credit assessment.

## **Chapter V High-Speed Traders**

### **Section 1 General Provisions**

(Application for Registration)

Article 326 (1) A person that seeks to obtain a registration referred to in Article 66-50 of the Act must submit a written application for registration referred to



in Article 66-51, paragraph (1) of the Act which is prepared using the Appended Form 29, by attaching a copy of the written application for registration and the document or electronic or magnetic record required to be attached to the written application for registration pursuant to the provisions of paragraph (2) or (3) of that Article to the Director-General of a Local Finance Bureau with jurisdiction over the locality of the head office, etc. of that person (if the locality falls within the jurisdictional area of the Fukuoka Local Finance Branch Bureau, to its Director-General; if the business operator does not have a business office or an office in Japan, to the Director-General of the Kanto Finance Bureau).

- (2) The document under the preceding paragraph may be prepared in English in the same manner as the Appended Form 29.
- (3) The document to be attached to the written application for registration referred to in paragraph (1) may be prepared in English.

(Matters to Be Stated in Written Applications for Registration)

Article 327 The cases specified by Cabinet Office Order as prescribed in Article 66-51, paragraph (1), item (vii) of the Act are as follows:

- (i) if the applicant is a foreign corporation that has not designated a representative in Japan, or an individual that has an domicile in a foreign country, the trade name or name of the agent in Japan; and
- (ii) if the applicant is a foreign corporation or an individual that has a domicile in a foreign country, the name and location of the principal business office or office in Japan;

(Content and Method of Business)

Article 328 The documents specified by Cabinet Office Order as prescribed in Article 66-51, paragraph (2), item (ii) of the Act are as follows:

- (i) the basic principles of business operation;
- (ii) the method of execution of business;
- (iii) the division of duties;
- (iv) the outline of the transaction strategies for each transaction strategy (including the following matters):
  - (a) the types of transaction strategies;
  - (b) the name or trade name of the financial instruments exchange, etc. related to high-speed trading;
  - (c) the types of securities or market derivatives transactions subject to high-speed trading;
- (v) the name and title of the person supervising the operation for instructing employees to comply with laws and regulations, etc. related to services pertaining to high-speed trading;

- (vi) the name and title of the person responsible for the management of services pertaining to high-speed trading;
- (vii) the outline, installation location, and maintenance method of the electronic data processing system and other facilities for high-speed trading; and
- (viii) the content of the measures to ensure sufficient management of the electronic data processing systems and other facilities for high-speed trading.

(Documents to Be Attached to Written Application for Registration)

Article 329 (1) The documents specified by Cabinet Office Order as prescribed in Article 66-51, paragraph (2), item (iv) of the Act are as follows:

- (i) the documents stating the personnel structure related to business and the system for conducting business of the organization;
- (ii) if the registration applicant is a corporation, the following documents:
  - (a) the resume of the officer (if the officer is a corporation, a document stating the background of the officer);
  - (b) an extract of the resident record of the officer (if the registration applicant is a foreign corporation that has not designated a representative in Japan, including an agent in Japan; hereinafter the same applies in sub-items (b) and (c)) (if an officer is a corporation, a certificate of registered information of the officer) or alternative documents;
  - (c) if the former surname and given name of an officer are stated together with the current name of the officer in the written application for registration referred to in Article 66-51, paragraph (1) of the Act, and the document set forth in sub-item (b) is not a document certifying the former surname and given name of the officer, a document certifying the former surname and given name;
  - (d) the certificate issued by a public agency certifying that the officer does not fall under Article 29-4, paragraph (1), item (ii), sub-item (b) of the Act, or alternative documents;
  - (e) the document with which the officer pledges that they do not fall under Article 29-4, paragraph (1), item (ii), sub-items (c) through (i) or Article 66-53, item (v), sub-item (a), 1. of the Act;
  - (f) the latest balance sheet (including the related notes) and profit and loss statement (including the related notes);
- (iii) if the registration applicant is an individual, the following documents:
  - (a) the resume of the registration applicant;
  - (b) an extract of the resident record of the registration applicant (if the registration applicant is an individual that has a domicile in a foreign country, including the agent in Japan; hereinafter the same applies in sub-item (c)) (if the agent in Japan is a corporation, a certificate of registered

- information of the agent in Japan) or alternative documents;
- (c) if the former surname and given name of the registration applicant are stated together with the current name of the applicant for registration in a written application for registration referred to in Article 66-51, paragraph (1) of the Act, and the document set forth in sub-item (b) is not a document certifying the former surname and given name of the applicant for registration, a document certifying the former surname and given name;
  - (d) the certificate issued by a public agency certifying that the registration applicant does not fall under Article 29-4, paragraph (1), item (ii), sub-item (b) of the Act, or alternative documents;
  - (e) a document prepared using the Appended Form 1-2;
- (iv) the resumes of persons specified in items (v) and (vi) of the preceding Article;
- (v) a document stating the calculated net assets.
- (2) When attaching the documents set forth in paragraph (1), item (ii), sub-item (f), and the balance sheet (including the related notes) is prepared by electronic or magnetic records, or an electronic or magnetic record is prepared for the profit and loss statement (including the related notes) in lieu of a written document, the electronic or magnetic records (limited to those provided for in the following Article) may be attached in lieu of written documents.

(Electronic or Magnetic Record)

- Article 330 (1) The electronic or magnetic records specified by Cabinet Office Order as prescribed in Article 66-5, paragraph (3) of the Act are to fall under one of the following structures:
- (i) a 90mm flexible magnetic disc cartridge that conforms with JIS X6223;
  - (ii) a 120mm optical disc that conforms with JIS X0606 and X6282.
- (2) Record in the electronic or magnetic records referred to in item (i) of the preceding paragraph must be made in accordance with the following methods:
- (i) for track formats, the method specified in JIS X6225
  - (ii) for volume and file composition: the method specified in JIS X0605.
- (3) The following matters must be stated for the electronic or magnetic record referred to in paragraph (1):
- (i) the trade name or name of the registration applicant; and
  - (ii) the date of the application.

(Public Inspection of High-Speed Traders Register)

Article 331 The competent Director-General of a Local Finance Bureau, etc. is to keep the register of high-speed traders related to the high-speed traders registered by them at the local finance bureau with jurisdiction over the locality of the head office, etc. of the high-speed traders (if the locality falls

within the jurisdictional district of the Fukuoka Local Finance branch bureau, to its Director-General; or if the high-speed trader does not have a business office or office in Japan, to the Director-General of the Kanto Finance Bureau) and make the register available for public inspection.

(Criteria for Examination of Personnel Structure)

Article 332 When conducting an examination on whether the registration applicant is a person that lacks a personnel structure sufficient to appropriately conduct services pertaining to high-speed trading, whether the registration applicant falls under any of the following criteria is to be examined:

- (i) the applicant for registration is found unable to properly conduct their business in light of the state of securing officers or employees that have sufficient knowledge and experience for conducting the business and their organizational structure; and
- (ii) the registration applicant is found likely to cause services pertaining to high-speed trading to lose credibility, due to the fact of having any person with qualities inappropriate for operating business in light of the person's personal history, relationship with an organized crime group as defined in Article 2, item (ii) of the Act on Prevention of Illegal Acts by Organized Crime Group Members or relationship with an organized crime group member as defined in item (vi) of that Article or other circumstances, among their officers or employees.

(A Person Unable to Properly Perform Services Pertaining to High-Speed Trading Due to a Mental or Physical Disorder)

Article 332-2 The person specified by Cabinet Office Order as prescribed in Article 66-53, item (v), sub-item (a), 1. of the Act is a person who is unable to appropriately carry out the cognition, decision making, and communication necessary for properly performing services pertaining to high-speed trading due to mental impairment.

(Calculation of Amount of Net Assets)

Article 333 The amount of net assets to be calculated pursuant to the provisions of Article 66-53, item (vii) of the Act must be calculated in accordance with the provisions of Article 14.

(Notification of Changes in Matters Stated in Written Applications for Registration)

Article 334 (1) A high-speed trader that submits a notification pursuant to the provisions of Article 66-54, paragraph (1) of the Act must submit a written

notification stating the content of the change, the date of change, and the reasons for the change, by attaching a document stating the content after the change which is prepared using the Appended Form 29 and a copy of that document, and the documents specified in the following items in accordance with the category of cases specified in each of those items to the Commissioner of the Financial Services Agency or the competent Director-General of a Local Finance Bureau; provided, however, that if there are compelling reasons, it is sufficient to submit the documents specified in each of those items without delay after submission of the written notification:

- (i) if there is any change to the matters set forth in Article 66-51, paragraph (1), item (i) of the Act: the following documents:
  - (a) a certificate of registered information stating the information related to the change (in the case of an individual, an extract of the resident record) or alternative documents;
  - (b) if the former surname and given name are stated together with the current name in a document stating the changed content which is prepared using the Appended Form 29 and the document set forth in sub-item (a) is not a document certifying the former surname and given name, a document certifying the former surname and given name;
- (ii) if there is any change to the matters set forth in Article 66-51, paragraph (1), item (ii) or (iv) of the Act: the certificate of registered information stating the changed information, or alternative documents;
- (iii) if there is any change to the matters set forth in Article 66-51, paragraph (1), item (iii) of the Act: the following documents:
  - (a) the documents stating the personnel structure and the system for conducting business of the organization;
  - (b) the certificate of registered information stating the changed information, or alternative documents;
  - (c) the following documents concerning the person that has newly assumed the position as an officer:
    - 1. the resume (if the officer is a corporation, a document stating the background of the officer);
    - 2. an extract of the resident record (if an officer is a corporation, the certificate of registered information of the officer), or alternative documents;
    - 3. if the former surname and given name are stated together with the current name in a document stating the changed content which is prepared using the Appended Form 29 and the document set forth in clause 2. is not a document certifying the former surname and given name, a document certifying the former surname and given name;
    - 4. the certificates issued by a public agency certifying that the officer does

- not fall under Article 29-4, paragraph (1), item (ii), sub-item (b) of the Act, or alternative documents;
5. the document with which the officer pledges that they do not fall under any of Article 29-4, paragraph (1), item (ii), sub-items (c) through (i) or Article 66-53, item (v), sub-item (a), 1. of the Act;
  6. the document with which the officer pledges that they do not fall under Article 66-53, item (v), sub-item (a) of the Act (limited to the part related to 1.);
- (iv) if there is any change to the matters set forth in Article 327, item (i): the following documents for the person that newly assumed the position of an agent in Japan:
- (a) an extract of the resident record (if the agent in Japan is a corporation, a certificate of registered information of the agent in Japan), or alternative documents;
  - (b) if the former surname and given name are stated together with the current name in a document stating the changed content which is prepared using the Appended Form 29 and the document set forth in sub-item (a) is not a document certifying the former surname and given name, a document certifying the former surname and given name.
- (2) The written notification referred to in the preceding paragraph and the documents specified in the items of that paragraph may be written in English.
- (3) The document referred to in paragraph (1) may be prepared in English in the same manner as the Appended Form 29.
- (4) If the Commissioner of the Financial Services Agency or the competent Director-General of a Local Finance Bureau has received from a high-speed trader a notification on the relocation of the head office, etc. filed beyond the jurisdictional area of the competent Local Finance Bureau, the Commissioner or the Director-General is to send or have the trader send the written notification, the part of the register of high-speed traders related to the high-speed trader, and other documents to the Director-General of a Local Finance Bureau with jurisdiction over the locality of the head office, etc. after the relocation related to the written notification (if the locality falls within the jurisdictional area of the Fukuoka Local Finance Branch Bureau, to its Director-General; or if the business operator does not have a business office or an office in Japan, to the Director-General of the Kanto Finance Bureau).
- (5) The Director-General of a Local Finance Bureau or the Director-General of the Fukuoka Local Finance Branch Bureau who has received the documents sent under the provisions of the preceding paragraph is to register the matters related to the high-speed trader in the register of financial instruments business operators.

(Notification of Change of Content and Method of Business)

- Article 335 (1) A high-speed trader that files a notification pursuant to the provisions of Article 66-54, paragraph (3) of the Act must submit a written notification stating the content of the change, the date of the change, and the reasons for the change, by attaching a document stating the matters set forth in the items of Article 328 (limited to a written notification whose content has been changed) and a document set forth in Article 329, paragraph (1), item (iv) (limited to matters whose content has been changed) to the Commissioner of the Financial Services Agency or the competent Director-General of a Local Finance Bureau.
- (2) The written notification and documents referred to in the preceding paragraph may be written in English.

## **Section 2 Business**

(Development of Operational Control Systems)

- Article 336 The operational control system required to be developed by a high-speed trader pursuant to the provisions of Article 66-55 of the Act must satisfy the following requirements:
- (i) internal rules, etc. for appropriately conducting services pertaining to high-speed trading (meaning internal rules and other equivalent rules) have been developed, and training of employees and other measures to ensure the compliance with the internal rules, etc. have been taken; and
  - (ii) the measures for sufficiently managing electronic data processing systems and other facilities for high-speed trading have been taken.

(Cases in Which Status of Operation of Business Is Likely to be Contrary to Public Interest or Hinder the Protection of Investors)

- Article 337 The circumstances specified by Cabinet Office Order as prescribed in Article 66-57, item (ii) of the Act are as follows:
- (i) circumstances in which it is found that the high-speed trader has not taken the measures necessary and appropriate for preventing unfair transactions related to corporate information in connection with the management of the corporate information they handle;
  - (ii) circumstances in which the management of purchase and sale for preventing the sale, purchase, or derivative transactions or their application or the act of entrusting, etc. them related to listed financial instruments, etc. on a financial instruments exchange market which should result in the formation of a manipulative quotation not reflecting actual market status through causing fluctuation, pegging, fixing or stabilizing the quotations or a figure calculated based on quotations or the transaction volumes, or by

increasing the transaction volumes is found to be insufficient; and  
(iii) circumstances in which the management of purchase and sale for preventing derivative transactions or their application or acts of entrusting, etc. them related to cryptoassets, etc. which should result in the formation of manipulative quotations not reflecting actual market status through causing fluctuations in the quotations of cryptoassets or figures calculated based on quotations or transaction volumes, or by increasing the transaction volumes is found to be insufficient.

### **Section 3 Accounting**

(Books and Documents Concerning Business)

Article 338 (1) The books and documents required to be prepared by high-speed traders pursuant to the provisions of Article 66-58 of the Act are as follows:

(i) if the high-speed trader is a person that conducts business related to the following acts for high speed trading, order forms and transaction diaries:

- (a) the act set forth in Article 2, paragraph (41), item (i) of the Act;
- (b) the act set forth in Article 2, paragraph (41), item (ii) of the Act;
- (c) the act set forth in Article 1-22, item (ii) of the Order (excluding the act related to the investment of money or other properties that results in having the act set forth in Article 2, paragraph (41), item (i) to be conducted);

(ii) if the high-speed trader is a person that conducts business related to the following acts for high-speed trading, investment statements and order forms:

- (a) the act set forth in Article 1-22, item (i) of the Order;
- (b) the act set forth in Article 1-22, item (ii) of the Order (limited to the act related to the investment of money or other properties that results in having the act set forth in Article 2, paragraph (41), item (i) to be conducted).

(2) The books and documents set forth in the items of the preceding paragraph may be written in English.

(3) Notwithstanding the provisions of the items of paragraph (1), a high-speed trader that is a foreign corporation or an individual that has a domicile in a foreign country may substitute the books and documents specified in the items of paragraph (1) with the documents prepared based on foreign laws and regulations which are similar to the books and documents set forth in the items of that paragraph (hereinafter referred to as "foreign books and documents" in this Article, and if the foreign books and documents are to be prepared in a foreign language, the following documents (referred to as "foreign books and documents, etc." in the following paragraph)):



- (i) the foreign books and documents; and
  - (ii) a Japanese translation of the forms for the foreign books and documents.
- (4) Concerning the books and documents set forth in the items of paragraph (1) and the foreign books and documents, etc., the order forms referred to in item (i) of that paragraph and the order placement forms referred to in item (ii) of that paragraph, and the foreign books and documents, etc. similar to them must be preserved for seven years from the day of their preparation, and the transaction diary referred to in item (i) of that paragraph and the investment statements referred to in item (ii) of that paragraph, and the foreign books and documents, etc. similar to them must be preserved for ten years from the day of their preparation.
- (5) The provisions of Article 158, paragraph (1) (excluding item (ii)), paragraph (2) (excluding items (iii) and (iv)) and paragraph (3) (excluding items (iv) and (vi)), and Article 159, paragraph (1) (excluding item (ii)) and paragraph (2) (excluding items (vii) and (ix)) apply *mutatis mutandis* if a high-speed trader prepares order forms and transaction diaries referred to in paragraph (1), item (i) in relation to the acts specified in that item, and the provisions of Article 170, paragraphs (1) and (2), and Article 171, paragraph (1), paragraph (2) (excluding item (ii), item (iv), and item (v)) and paragraph (3) (excluding item (v)) apply *mutatis mutandis* if a high-speed trader prepares investment statements and order forms referred to in paragraph (1), item (ii) in relation to the act specified in that item.
- (6) Beyond what is prescribed in the preceding paragraph, the following matters notified by a financial instruments exchange, etc. concerning orders must be stated in the order forms referred to in paragraph (1), item (i) and the order forms referred to in paragraph (1), item (ii), and the foreign books and documents similar to them:
- (i) a time stamp (meaning the time when the financial instruments exchange, etc. has accepted the order); and
  - (ii) an order receipt number (meaning a number, symbol, or other codes for identifying the order).
- (7) Beyond what is prescribed in paragraph (5), the books and documents and foreign books and documents set forth in the items of paragraph (1) must be prepared in accordance with the following requirements:
- (i) the order forms referred to in paragraph (1), item (i) and the order placement forms referred to in item (ii) of that paragraph, and the foreign books and documents similar to them is to be prepared in a way that enables the confirmation of the content of the program used for creating orders;
  - (ii) in making an order, to prepare the documents by the method specified by a financial instruments exchange, etc. and other methods in which the matters required to be stated in the books and documents and foreign books and

documents set forth in the items of paragraph (1) are systematically organized that enable their easy retrieval.

(Business Reports)

- Article 339 (1) A business report to be submitted by a high-speed trader pursuant to the provisions of Article 66-59 of the Act must be prepared by using the Appended Form 30.
- (2) The business report under the preceding paragraph may be prepared in English in the same manner as the Appended Form 30.
- (3) When a high-speed trader (limited to a company) prepares a business report under the preceding paragraph, they are to comply with business accounting practices generally accepted as fair and appropriate.
- (4) When a high-speed trader (excluding a company) prepares a business report referred to in paragraph (1), they are to comply with the accounting practices generally accepted as fair and appropriate.

(Procedures for Obtaining Approval on Due Date for Submitting Business Reports)

- Article 340 (1) When a high-speed trader that is a foreign corporation or an individual that has a domicile in a foreign country (hereinafter referred to as "high-speed trader that is a foreign corporation, etc." in this Article) seeks to obtain an approval referred to in the proviso to Article 18-4-11 of the Order, they must submit a written application for approval stating the following matters to the Commissioner of the Financial Services Agency or the competent Director-General of a Local Finance Bureau:
- (i) the trade name or name;
  - (ii) the date of registration and the registration number;
  - (iii) the period for which the approval is sought in relation to the submission of the business report;
  - (iv) the last day of the business year related to the business report; and
  - (v) the reasons for requiring the approval for the submission of the business report.
- (2) The following documents must be attached to the written application referred to in the preceding paragraph:
- (i) the articles of incorporation or alternative documents;
  - (ii) a document certifying that the representative of the high-speed trader that is a foreign corporation, etc. stated in the written application for approval is a person that has legitimate authority to submit the written application for approval; and
  - (iii) a legal opinion letter by a law expert on the fact that the matters related to laws and regulations or practices stated in the written application for

- approval are true and accurate, and a copy of the relevant provisions of the related laws and regulations set forth in the legal opinion letter.
- (3) If the application for approval referred to in paragraph (1) has been filed, and it is found that the high-speed trader that is a foreign corporation, etc. is unable to submit the business report within three months after the end of the business year due to the laws and regulations or practices of their home country, the Commissioner of the Financial Services Agency or the competent Director-General of a Local Finance Bureau is to grant approval to the business report related to the business year that includes the day the application has been filed (if the day falls within three months from the commencement of the business year (if approval has been granted to the submission of the business report related to the immediately preceding business year, within the approved period), the business year immediately preceding the business year) through the business year immediately preceding the business year that includes the day when the reason specified in item (v) of that paragraph for which the application was filed ceases to exist or changes.
- (4) The approval referred to in the preceding paragraph is to be given on the condition that the high-speed trader that is a foreign corporation, etc. referred to in that paragraph submits a document stating the following matters to the Commissioner of the Financial Services Agency or the competent Director-General of a Local Finance Bureau within three months after the end of each business year; provided, however, that if the content of the matters set forth in item (ii) is the same as the content of the matters that have been stated in the document submitted within five years before the submission of the document, the entry of those matters may be omitted:
- (i) the fact that the reasons for applying for approval have not ceased to exist or changed in the business year; and
  - (ii) a legal opinion letter by a legal expert on the matters set forth in the preceding item, and a copy of the relevant provisions of the related laws and regulations set forth in the legal opinion letter.
- (5) The written application for approval referred to in paragraph (1), the document set forth in the items of paragraph (2), and the document referred to in the preceding paragraph may be prepared in English.

## **Section 4 Supervision**

(Cases When Notification for Commencement Is Given)

Article 341 The cases specified by Cabinet Office Order as prescribed in Article 66-60, item (iv) of the Act are as follows:

- (i) if a high-speed trader has come to fall under Article 29-4, paragraph (1), item (i), sub-item (a) of the Act (limited to the part related to foreign laws

- and regulations equivalent to the Act or the Act on the Provision of Financial Services) or sub-item (c) of that item, or Article 66-53, item (v), sub-item (b) or (c), item (vi), sub-item (a) (excluding the part related to item (v), sub-item (a), 1. of that Article) or sub-item (b), item (vii), or sub-item (a) of the following item;
- (ii) if a high-speed trader becomes aware of the fact that an officers has come to fall under any of the following persons:
    - (a) a person who has come to have impaired mental function and has become extremely difficult to continue performing services pertaining to high-speed trading; or
    - (b) a person that falls under any of Article 29-4, paragraph (1), item (ii), sub-items (b) through (i);
  - (iii) if a high-speed trader becomes aware of the fact that a petition for commencement of bankruptcy proceedings, commencement of rehabilitation proceedings, or commencement of reorganization proceedings has been filed (for a foreign corporation or an individual that has a domicile in a foreign country, including cases in which the corporation or individual becomes aware of the fact that the same type of petition has been filed in the country where their principal business office or office is located based on the laws and regulations of that country;
  - (iv) if a high-speed trader has amended the articles of incorporation (including equivalent documents; the same applies in Article 343, paragraph (1), item (vi));
  - (v) if a high-speed trader has come to know that an act of violation of laws and regulations, etc. has been committed by an officers or employee (for an act related to business other than services pertaining to high-speed trading or services incidental to them, limited to those that are likely to have a material impact on the high-speed trader's operation of business or the status of their property; referred to as "problematic conduct, etc." in the following item and paragraph (1), items (viii) and (ix) of the following Article);
  - (vi) if the details of the problematic conduct, etc. referred to in the preceding item have become clear;
  - (vii) if a high-speed trader has become a party to an action or conciliation (for an action or a conciliation related to business other than services pertaining to high-speed trading or services incidental to them, limited to those that are likely to have a material impact on the high-speed trader's operation of business or the status of their property), or if the action or the conciliation has been concluded; or
  - (viii) for a foreign corporation or an individual that has a domicile in a foreign country, if the corporation or individual has been rendered an adverse

disposition by an administrative agency based on foreign laws and regulations equivalent to the Act (excluding cases in which the corporation or individual falls under Article 29-4, paragraph (1), item (i), sub-item (a) of the Act).

(Matters to Be Stated in Written Notifications)

Article 342 (1) A high-speed trader that gives a notification pursuant to the provisions of Article 66-60 of the Act must submit a written notification stating the matters specified in the following items in accordance with the category of the cases set forth in each of those items to the Commissioner of the Financial Services Agency or the competent Director-General of a Local Finance Bureau:

(i) if the case falls under Article 66-60, item (i) of the Act: the following matters

(a) the name of the business office or office in which business has been commenced, suspended, or resumed;

(b) the date of commencement, the period of and reasons for suspension, and the date of and reasons for resumption;

(ii) if the case falls under Article 66-60, item (ii) of the Act: the documents specified in the following sub-items (a) through (c) in accordance with the category of cases set forth in the sub-items (a) through (c):

(a) in the case of a merger with another corporation, the following matters:

1. the trade name or name of the other party to the merger;
2. the date of the merger and the reasons for the merger;
3. the method of the merger;

(b) in the case of succession of all or part of the business of another corporation through a split, the following matters:

1. the trade name or name of the other party to the split;
2. the date of and reasons for the split; and
3. the content of the business they have succeeded to;

(c) in cases all or part of the business has been acquired from another corporation, the following matters:

1. the trade name or name of the transferor;
2. the date of and reasons for the acquisition; and
3. the content of the acquired business;

(iii) if the case falls under Article 66-60, item (iii) of the Act: the date of and reason for filing the petition for commencement of bankruptcy proceedings, commencement of rehabilitation proceedings, or commencement of reorganization proceedings;

(iv) if the case falls under item (vii) of the preceding Article: the matters specified in the following sub-items (a) through (g) in accordance with the category of cases specified in the sub-items (a) through (g):

(a) if a high-speed trader has come to fall under Article 29-4, paragraph (1),

item (i), sub-item (a) of the Act (limited to the part related to the provisions of foreign laws and regulations equivalent to the Act or the Act on the Provision of Financial Services), the following matters:

1. the content of the same type of the registration, etc. obtained by the high-speed trader in a foreign country pursuant to foreign laws and regulations equivalent to the Act or the Act on the Provision of Financial Services or the same type of the notification as the notification under the provisions of Article 63, paragraph (2), Article 63-3, paragraph (1), Article 63-9, paragraph (1), or Article 63-11, paragraph (1) of the Act given by the high-speed trader pursuant to the provisions of foreign laws and regulations equivalent to the Act or the Act on the Provision of Financial Services;
  2. the date of the registration, etc. or notification;
  3. the date of and reasons for the registration, etc. being revoked or the suspension of the business related to the notification has been ordered;
  4. the content of the business for which the registration, etc. has been revoked or suspension of the business related to the notification has been ordered;
- (b) if a high-speed trader has come to fall under Article 29-4, paragraph (1), item (i), sub-item (c) of the Act, the following matters:
1. the provisions of the laws and regulations that has been violated; and
  2. the date when the punishment became final and binding, and the amount of the fine;
- (c) if a high-speed trader has come to fall under Article 66-53, item (v), sub-item (b) of the Act, the date when the amount of the stated capital or the total amount of investment has fallen below the amount specified in Article 18-4-9, paragraph (1) of the Order and the reasons for that;
- (d) if a high-speed trader comes to fall under Article 66-53, item (v), sub-item (c) of the Act, the date when they have come to fall under the person that has not designated a representative or agent in Japan;
- (e) if a high-speed trader has come to fall under item (ii), sub-item (a) of the preceding Article or Article 66-53, item (vi), sub-item (a) of the Act (excluding the part related to item (v), sub-item (a), 1. of that Article), the following documents:
1. the name of the person that has come to fall under the provisions;
  2. if the person comes to fall under item (ii), sub-item (a) of the preceding Article, the date when the person has come to fall under the provisions and the reasons for that;
  3. if the person has come to fall under Article 29-4, paragraph (1), item (ii), sub-item (b) of the Act, the date when the person became subject to the order for commencement of bankruptcy proceedings;

4. if the person has come to fall under Article 29-4, paragraph (1), item (ii), sub-item (c) or (i) of the Act, the date when the punishment became final and binding, and the type of punishment;
  5. if the person has come to fall under Article 29-4, paragraph (1), item (ii), sub-item (d) or (e) of the Act, the date of rescission or order and the reasons for that;
  6. if the person has come to fall under Article 29-4, paragraph (1), item (ii), sub-item (f) or (g) of the Act, the date of and reason for the notice under the provisions of Article 15 of the Administrative Procedure Act to be given, and the date of and reason for making the notification under the provisions of Article 50-2, paragraph (1) of the Act, Article 60-7 of the Act (including as applied mutandis pursuant to Article 60-14, paragraph (2) of the Act; the same applies in sub-item (f) of the following item), Article 63-2, paragraph (2) of the Act, Article 63-2, paragraph (3) of the Act (including as applied mutatis mutandis pursuant to Article 63-3, paragraph (2) of the Act; the same applies in sub-item (f) of the following item), Article 63-2, paragraph (4) of the Act, Article 63-10, paragraph (2), paragraph (3) (including as applied mutatis mutandis pursuant to Article 63-11, paragraph (2) of the Act; the same applies in sub-item (f) of the following item), or Article 63-10, paragraph (4), Article 66-19, paragraph (1) of the Act, Article 66-40, paragraph (1) of the Act or Article 66-61, paragraph (1) of the Act, or Article 16, paragraph (3) of the Act on the Provision of Financial Services; and
  7. if the person has come to fall under Article 29-4, paragraph (1), item (ii), sub-item (h) of the Act, the date when removal or dismissal has been ordered and the reasons for that;
- (f) if a high-speed trader comes to fall under Article 66-53, item (vi), sub-item (b) of the Act, the day when they fell under a person that has not designated a representative or agent in Japan;
- (g) if a high-speed trader comes to fall under Article 66-53, item (vii) of the Act, the day when the net assets became less than the amount specified in Article 18-4-10 of the Order and the reason for that;
- (v) if the case falls under item (ii) of the preceding Article: the following matters:
- (a) the name of the officer that has come to fall under item (ii), sub-item (a) or (b) of the preceding Article;
  - (b) if the officer has come to fall under item (ii), sub-item (a) of the preceding Article, the date when they came to fall under the provisions and the reasons for that;
  - (c) if the officer has come to fall under Article 29-4, paragraph (1), item (ii),

- sub-item (b) of the Act, the date when they became subject to the order for commencement of bankruptcy proceedings;
- (d) if the officer has come to fall under Article 29-4, paragraph (1), item (ii), sub-item (c) or (i) of the Act, the date when the punishment became final and binding, and the type of punishment;
- (e) if the officer has come to fall under Article 29-4, paragraph (1), item (ii), sub-item (d) or (e) of the Act, the date revocation has been made or has been ordered and the reasons for that;
- (f) if the officer has come to fall under Article 29-4, paragraph (1), item (ii), sub-items (f) or (g) of the Act, the date of and reason for the notice under the provisions of Article 15 of the Administrative Procedure Act to be given and the date of and reason for making the notification under the provisions of Article 50-2, paragraph (1), Article 60-7, Article 63-2, paragraphs (2) through (4), Article 63-10, paragraphs (2) through (4), Article 66-19, paragraph (1), Article 66-40, paragraph (1) or Article 66-61, paragraph (1) of the Act, or Article 16, paragraph (3) of the Act on the Provisions of Financial Services; and
- (g) if the officer has come to fall under Article 29-4, paragraph (1), item (ii), sub-item (h) of the Act, the date when removal or dismissal has been ordered and the reasons for that;
- (vi) if the case falls under item (iii) of the preceding Article: the following matters:
  - (a) the date of and reason for the filing petitions for commencement of bankruptcy proceedings, commencement of rehabilitation proceedings, or commencement of reorganization proceedings; and
  - (b) the trade name or name of the person that has filed petitions for commencement of bankruptcy proceedings, commencement of rehabilitation proceedings, or commencement of reorganization proceedings; and
- (vii) if the case falls under item (iv) of the preceding Article: the following matters:
  - (a) the content of and reasons for the change; and
  - (b) the date of change;
- (viii) if the case falls under item (v) of the preceding Article: the following matters:
  - (a) the name of the business office or office in which a problematic conduct, etc. has occurred;
  - (b) the name and title of the officer or employee that has caused the problematic conduct, etc.; and
  - (c) an outline of the problematic conduct, etc.;
- (ix) if the case falls under item (vi) of the preceding Article: the following



matters:

- (a) the name of the business office or office in which a problematic conduct, etc. has occurred;
- (b) name and title of the officer or employee that has caused the problematic conduct, etc.;
- (c) details of the problematic conduct, etc.; and
- (d) if in-house punishment has been taken, its content;
- (x) if the case falls under item (vii) of the preceding Article: the matters set forth in the following sub-items (a) and (b) in accordance with the category of cases set forth in the sub-items (a) and (b):
  - (a) if they have become the party to a suit or conciliation: the following matters:
    - 1. the name and domicile of the party to the suit or conciliation;
    - 2. the day when the action or conciliation has been filed;
    - 3. the name of the court with jurisdiction; and
    - 4. the content of the case;
  - (b) if the action or conciliation has been concluded, the following matters:
    - 1. the name and domicile of the party to the suit or conciliation;
    - 2. the date when the action or conciliation has been concluded; and
    - 3. the content of the judgment or settlement;
- (xi) if the case falls under item (viii) of the preceding Article: the following matters:
  - (a) the content of the adverse disposition; and
  - (b) the date when the financial instruments business operator, etc. has become subject to the adverse disposition and the reasons for that.
- (2) The written notification under the preceding paragraph may be written in English.

#### (Documents to Be Attached to Written Notifications)

Article 343 (1) A high-speed trader that gives a notification pursuant to the provisions of Article 66-60 of the Act must attach the document specified in the following items to the written notification referred to in paragraph (1) of the preceding Article, if the case falls under the category of the cases set forth in each of the following items:

- (i) if the case falls under Article 66-60, item (ii): the documents specified in the following sub-items (a) through (c) in accordance with the category of cases set forth in the sub-items (a) through (c):
  - (a) in the case of a merger with another corporation, the following documents:
    - 1. the document stating the content of the merger agreement and the procedures for merger;

2. recent balance sheets of the parties (including the related notes; the same applies in sub-item (b), 2. and sub-item (c), 2.); and
  3. the net assets after the merger.
- (b) in the case all or part of the business of another corporation has been succeeded to through a split, the following documents:
1. the document stating the content of the absorption-type split agreement and the procedures for the split;
  2. the latest balance sheets of the parties; and
  3. the document stating the net assets after the split.
- (c) in cases all or part of the business has been succeeded from another corporation, the following documents:
1. the document stating the content of the contract for succeeding to business and the procedures for succeeding to business;
  2. the latest balance sheets of the parties; and
  3. the document stating the net assets after succeeding to business;
- (ii) if the case falls under Article 66-60, item (iii) of the Act: the following documents:
- (a) the copies of the documents on the filing of petitions for commencement of bankruptcy proceedings, commencement of rehabilitation proceedings, or commencement of reorganization proceedings; and
  - (b) a recent daily cash count sheet.
- (iii) if the case falls under Article 341, item (i): the matters set forth in the following sub-items (a) through (e) in accordance with the category of cases set forth in the sub-items (a) through (e):
- (a) if a high-speed trader has come to fall under Article 29-4, paragraph (1), item (i), sub-item (a) of the Act (limited to the part related to the provisions of foreign laws and regulations equivalent to the Act or the Act on the Provision of Financial Services), the following documents:
    1. a copy of the document ordering revocation or discontinuation of business, or alternative documents; and
    2. a copy of laws and regulations of the foreign country and their Japanese translation;
  - (b) if a high-speed trader has come to fall under Article 29-4, paragraph (1), item (i), sub-item (c) of the Act, a copy of the judgment document on the final and binding judgment, or a document stating the content of the final and binding judgment;
  - (c) if a high-speed trader has come to fall under Article 66-53, item (v), sub-item (b) of the Act, a certificate of registered information or alternative documents;
  - (d) if a high-speed trader has come to fall under Article 66-53, item (vi), sub-item (a) of the Act (excluding the part related to item (v), sub-item (a), 1. of

that Article), the following documents:

1. if the high-speed trader has come to fall under Article 29-4, paragraph (1), item (ii), sub-item (b) of the Act, a copy of the written judgment on the order for commencement of bankruptcy proceedings or the document stating the content of the order for the commencement of bankruptcy proceedings;
  2. if the high-speed trader has come to fall under Article 29-4, paragraph (1), item (ii), sub-item (c) or (i) of the Act, a copy of the judgment document on the final and binding judgment or a document stating the content of the final and binding judgment;
  3. if the high-speed trader has come to fall under Article 29-4, paragraph (1), item (ii), sub-item (d) or (e) of the Act, and revocation has been made or discontinuation has been ordered in a foreign country, a copy of the document ordering revocation or discontinuation of business or alternative documents, and a copy of foreign laws and regulations that serve as the basis of the revocation or discontinuation of business and their Japanese translation;
- (e) if a high-speed trader comes to fall under Article 66-53, item (vii) of the Act, a daily cash count sheet on the day when the net assets have become less than the amount specified in Article 18-4-10 of the Order, and the document stating the calculation of net assets;
- (iv) if the case falls under Article 341, item (ii) (limited to the part related to sub-item (b)): the following documents:
- (a) if an officer has come to fall under Article 29-4, paragraph (1), item (ii), sub-item (b) of the Act, a copy of the written judgment on the order for commencement of bankruptcy proceedings, or the document stating the content of the order for commencement of bankruptcy proceedings;
  - (b) if an officer has come to fall under Article 29-4, paragraph (1), item (ii), sub-item (c) or (i) of the Act, a copy of the judgment document on the final and binding judgment, or a document stating the content of the final and binding judgment;
  - (c) if an officer has come to fall under Article 29-4, paragraph (1), item (ii), sub-item (d) or (e) of the Act, and a revocation has been made or discontinuation has been ordered in a foreign country, a copy of the written order for rescission or discontinuation of business or alternative documents, and a copy of foreign laws and regulations that serve as the basis of the rescission or discontinuation of business and their Japanese translation;
- (v) if the case falls under Article 341, item (iii): a recent daily cash count sheet;
- (vi) if the case falls under Article 341, item (iv): the amended articles of incorporation;
- (vii) if the case falls under Article 341, item (viii): a copy of foreign laws and

regulations that provide for the adverse disposition, and their Japanese translation.

- (2) The documents prescribed in the items of the preceding paragraph may be written in English.

(Notifications of Discontinuation of Business)

Article 344 (1) A person that gives a notification pursuant to the provisions of Article 66-61, paragraph (1) of the Act must submit a written notification stating the matters specified in the following items in accordance with the category of the cases set forth in each of those items to the Commissioner of the Financial Services Agency or the competent Director-General of a Local Finance Bureau:

- (i) if the case falls under Article 66-61, paragraph (1), item (i) of the Act: that fact and the date of death;
  - (ii) if the case falls under Article 66-61, paragraph (1), item (ii) of the Act: the date of and the reasons for discontinuation;
  - (iii) if the case falls under Article 66-61, paragraph (1), item (iii) of the Act: the following matters:
    - (a) the trade name or name of the other party to the merger;
    - (b) the date of and the reasons for the merger;
    - (c) the method of the merger;
  - (iv) if the case falls under Article 66-61, item (iv) of the Act: the following matters:
    - (a) the date when the petition for commencement of bankruptcy proceedings has been filed; and
    - (b) the date when the order for commencement of bankruptcy proceedings has been received;
  - (v) if the case falls under Article 66-61, paragraph (1), item (v) of the Act: the date of and the reasons for dissolution;
  - (vi) if the case falls under Article 66-61, paragraph (1), item (vi) of the Act: the following matters:
    - (a) the trade name or name of the successor; and
    - (b) the date of and the reasons for the split.
  - (vii) if the case falls under Article 66-61, paragraph (1), item (vii) of the Act: the following matters:
    - (a) the trade name or name of the transferee; and
    - (b) the date of and the reasons for the transfer.
- (2) The documents specified in the following items in accordance with the category of the cases set forth in each of those items must be attached to the written notification referred to in the preceding paragraph:
- (i) if the case falls under Article 66-61, paragraph (1), item (i) or (ii) of the Act:

- a recent daily cash count sheet
- (ii) if the case falls under Article 66-61, paragraph (1), item (iii) of the Act: the document stating the content of a merger agreement and the procedures for merger
  - (iii) if the case falls under Article 66-61, paragraph (1), item (iv) of the Act: a copy of the written judgment on the order for commencement of bankruptcy proceedings, or a document stating the content of the order for commencement of bankruptcy proceedings
  - (iv) if the case falls under Article 66-61, paragraph (1), item (vi) of the Act: the document stating the content of the incorporation-type split plan or the absorption-type split agreement, and the procedures for splits; and
  - (v) if the case falls under Article 66-61, paragraph (1), item (vii) of the Act: the document stating the content of a business transfer contract.
- (3) The written notification referred to in paragraph (1) and the documents specified in the items of the preceding paragraph may be written in English.

(Public Notice for Persons Whose Whereabouts Are Unknown)

Article 345 The public notice under the provisions of Article 66-63, paragraph (3) of the Act is to be given in an Official Gazette.

(Public Notices of Supervisory Disposition)

Article 346 The public notice under the provisions of Article 66-65 of the Act is to be given in an Official Gazette.

## **Chapter VI Miscellaneous Provisions**

(Travel Expenses and Other Expenses Provided to Witnesses)

- Article 347 (1) Pursuant to the provisions of Article 191 of the Act, travel expenses equivalent to the travel expenses provided to grade-two officials under the salary schedule for administrative positions (1) prescribed in Article 6, paragraph (1), item (i), sub-item (a) of the Act on Remuneration of Officials in the Regular Service (Act No. 95 of 1950) pursuant to the provisions of the Act on Travel Expenses of National Public Officers (Act No. 114 of 1950) are provided to a witness or an expert.
- (2) If the Commissioner of the Financial Services Agency and other officials find it to be necessary, reasonable costs may be provided to a witness in addition to the travel expenses under the provisions of the preceding paragraph.

(Entities to Which Written Applications are Submitted)

Article 348 (1) If the registration work specified in Article 64-7, paragraph (1) of the Act pursuant to the provisions of Article 64-7, paragraph (1) of the Act

(including as applied *mutatis mutandis* pursuant to Article 66-25) or paragraph (2) of that Article is delegated to an association, the written application for registration, etc. is submitted to that association (if the written application is to be submitted by a financial instruments intermediary service provider, the association to which any of the entrusting financial instruments business operators, etc. belongs).

- (2) If a person that seeks to obtain a registration referred to in Article 29, Article 33-2 or Article 66-50 of the Act, and intends to submit a written application for registration referred to in Article 5, Article 43, Article 257, or Article 326, paragraph (1) to the Director-General of a Local Finance Bureau or the Director-General of the Fukuoka Local Finance Branch Bureau, and the location of the head office, etc. of the person seeking registration falls within the jurisdictional district of a finance branch office, the Otaru Sub-Office, or the Kitami Sub-Office, the person seeking the registration must submit a written application for registration and its copy, and a copy of the attached documents referred to in Article 5, Article 43, Article 257, or that paragraph through the head of the finance branch office, the Director of the Otaru Sub-Office, or the Director of the Kitami Sub-Office.
- (3) If a financial instruments business operator, etc., an authorized firm for on-exchange transactions, a notifier of specially-permitted services, a notifier of specially permitted services for foreign investors, etc., a financial instruments intermediary service provider, or high-speed trader intends to submit a written application, a written notification, or other documents prescribed by the Act, the Order, or this Cabinet Office Order (excluding the written application for registration referred to in Article 64, paragraph (3) of the Act (including as applied *mutatis mutandis* pursuant to Article 66-25 of the Act) and the written notifications referred to in Article 252, Article 253 and Article 292) to the competent Director-General of a Local Finance Bureau, etc., the competent Director-General of a Local Finance Bureau, etc. for the notification of specially-permitted business, or the competent Director-General of a Local Finance Bureau, etc. for the notification of specially permitted services for foreign investors, etc., and the location of the head office, etc. of the financial instruments business operator, etc., the domicile of the representative of the authorized firm for on-exchange transactions in Japan, the location of the head office, etc. of the notifier of specially-permitted services, the location of the head office, etc. of the notifier of specially permitted services for foreign investors, etc., the location of the head office, etc. of the financial instruments intermediary service provider, or the location of the head office, etc. of the high-speed trader, falls within the jurisdictional district of a finance branch office, the Otaru Sub-Office, or the Kitami Sub-Office, the financial instruments business operator, etc., the authorized firm for on-exchange

operator, the notifier of specially-permitted services, the notifier of specially permitted services for foreign investors, etc., the financial instruments intermediary service provider, or the high-speed trader, must submit the document and its copy through the head of the finance branch office, the Director of the Otaru Sub-Office, or the Director of the Kitami Sub-Office.

- (4) The person to whom the written notification submitted by a director or executive officer (for a foreign corporation, its representative in Japan, director or executive officer or a person equivalent to them (limited to a person that conducts business related to financial instruments business)) of a financial instruments business operator (limited to an operator that conducts type I financial instruments business or investment management business) pursuant to the provisions of Article 31 and the written notifications prescribed in Article 204, Article 241, Article 243, Article 246-22, Article 246-26, Article 286, and Article 344, are to be submitted as specified in the preceding paragraph.

(Documents That May Be Submitted by Means of Using Information and Communications Technology)

Article 349 Among the documents to be submitted to the Commissioner of the Financial Services Agency, etc. pursuant to this Cabinet Office Order, those that are specified by the Commissioner may be submitted by the means of using information and communications technology that is specified by the Commissioner.

(Standard Processing Period)

Article 350 (1) If an application for registration, authorization, approval, permission, or confirmation set forth in any of the following items has been filed, the Commissioner of the Financial Services Agency or other officials is to endeavor to render a disposition to the application within the period specified in each of those items commencing on the date the application arrived at the office:

- (i) a registration referred to in Article 29, Article 33-2, Article 66, Article 66-27, and Article 66-50 of the Act, an authorization referred to in Article 30, paragraph (1) of the Act, and a permission referred to in Article 60, paragraph (1) and Article 60-14, paragraph (1) of the Act: two months;
- (ii) a registration of change referred to in Article 31, paragraph (4) of the Act, an authorization referred to in paragraph (6) of that Article, a permission referred to in Article 59, paragraph (1) of the Act, an approval referred to in Article 35, paragraph (4), the proviso to Article 44-3, paragraph (1), the proviso to Article 44-3, paragraph (2), and Article 49-4, paragraph (2) of the Act, and Article 15-13, item (iii) of the Order, and a confirmation referred to in the proviso to Article 39, paragraph (3) of the Act (including as applied

- mutatis mutandis pursuant to Article 66-15 of the Act): one month.
- (2) The period referred to in the preceding paragraph is not to include the following periods:
- (i) period necessary for correcting the application;
  - (ii) period necessary for the applicant to change the content of the application;
  - and
  - (iii) period necessary for the applicant to add materials found to be necessary for the examination of the application.

### **Supplementary Provisions [Extract]**

(Repeal of the Cabinet Office Order on Securities Corporation's Conduct Control and Other Cabinet Office Orders)

Article 6 The following Cabinet Office Orders are repealed:

- (i) Cabinet Office Order on Securities Corporation's Conduct Control (Order of Ministry of Finance No. 60 of 1965);
- (ii) Cabinet Office Order on Registration Work of Sales Representatives of the Japan Securities Dealers Association (Order of Prime Minister's Office and Ministry of Finance No. 5 of 1998);
- (iii) Cabinet Office Order Specifying Securities Provided in Article 17-2, Paragraph (1), Item (ii) and Paragraph (2) of That Article of the Order for Enforcement of the Securities and Exchange Act (Order of Prime Minister's Office and Ministry of Finance No. 12 of 1998);
- (iv) Cabinet Office Order on Securities Corporation (Order of Prime Minister's Office and Ministry of Finance No. 32 of 1998);
- (v) Cabinet Office Order on Securities Business Conducted by Financial Institution (Order of Prime Minister's Office and Ministry of Finance No. 35 of 1998);
- (vi) Cabinet Office Order on Securities Corporation's Segregated Custody (Order of Prime Minister's Office and Ministry of Finance No. 36 of 1998);
- (vii) Cabinet Office Order on Securities Corporation's Capital Requirements (Cabinet Office Order No. 23 of 2001); and
- (viii) Cabinet Office Order on Securities Broker (Cabinet Office Order No. 1 of 2004).

(Transitional Measures Accompanying Repeal of Cabinet Office Order on Securities Corporations)

Article 7 The approval obtained pursuant to the provisions of the proviso to Article 51, paragraph (2) of the former Securities and Exchange Act is deemed to be the approval referred to in Article 175, paragraph (2).



(Transitional Measures Accompanying Repeal of Cabinet Office Order on Securities Business Conducted by Financial Institution)

Article 8 The approval obtained pursuant to the provisions of the proviso to Article 51, paragraph (2) of the former Securities and Exchange Act as applied mutatis mutandis pursuant to Article 65-2, paragraph (7) of that Act is deemed to be the approval referred to in Article 189, paragraph (2).

(Transitional Measures Accompanying Repeal of Cabinet Office Order on Securities Corporation's Segregated Custody)

Article 9 The trust manager specified in Article 8, paragraph (1) of the Trust Act (Act No. 62 of 1922) before the amendment by Article 1 of the Act on Arrangement of Relevant Acts Incidental to Enforcement of the Trust Act (Act No. 109 of 2006) related the trust to which the provisions then in force remain applicable pursuant to Article 2 of that Act are deemed to be an agent for a beneficiary, and the provisions of Article 141, paragraph (1), item (ii), item (iii), and item (xi), and Article 141, paragraph (6) apply.

(Transitional Measures on Requirements for Individuals Who May Request Treatment as Professional Investors)

Article 10 For the purpose of applying Article 62, item (iii), a contract which provides for performing acts set forth in the items of Article 2, paragraph (8) of the Act concluded before the enforcement date is deemed to be a financial instruments transaction contract referred to in item (iii) of that Article.

(Transitional Measures on Delivery of Explanatory Documents on Listed Securities)

Article 13 (1) The securities company as defined in Article 2, paragraph (9) of the former Securities and Exchange Act may deliver documents to a customer before the enforcement date, in accordance with the provisions of Article 80, paragraph (1), item (i) (limited to the customer with whom the securities company has concluded a contract referred to in Article 2, paragraph (1) of the Supplementary Provisions before delivering documents pursuant to the provisions of this paragraph). In such a case, a type-I business operator deemed to have been registered that is prescribed in Article 18, paragraph (2) of the Supplementary Provisions of the amended Act is deemed to have delivered the explanatory document on listed securities, etc. to the customer pursuant to the provisions of that item.

(2) For the purpose of applying Article 80, paragraph (1), item (i) and paragraph (3), the day when the document has been delivered pursuant to the provisions of the first sentence of the preceding paragraph is deemed to be the day when the explanatory document on listed securities, etc. referred to in that item and

paragraph (3) of that Article has been delivered.

(Transitional Measures on Delivery of Document for Delivery Before  
Conclusion of a Contract)

Article 14 (1) If a financial instruments business operator, etc. seeks to conclude a financial instruments transaction contract on or after the enforcement date, and has delivered a document concerning the contract which provides that an act with the same type of content as that for the financial instruments transaction contract to a customer before the enforcement date in accordance with the provisions of Article 37-3, paragraph (1) of the Act, the financial instruments business operator, etc. is deemed to have delivered the document for delivery before conclusion of the contract to the customer pursuant to the provisions of that paragraph, and the provisions of Article 80, paragraph (1), item (ii) apply.

(2) If a financial instruments business operator, etc. seeks to conclude a financial instruments transaction contract on or after the enforcement date, and has delivered a document concerning the contract which provides that an act with the same type of content as that for the financial instruments transaction contract to a customer before the enforcement date pursuant to the provisions of Article 70, paragraph (1) of the former Financial Futures Trading Act or Article 16 of the former Act on Regulation of Commodity Investment Business, the financial instruments business operator, etc. is deemed to have delivered the document for delivery before conclusion of the contract pursuant to the provisions of Article 37-3, paragraph (1) of the Act to the customer, and the provisions of Article 80, paragraph (1), item (ii) apply.

(3) For the purpose of applying Article 80, paragraph (1), item (ii), the date when the document has been delivered pursuant to the provisions of the preceding two paragraphs is deemed to be the day when the document for delivery before conclusion of a contract referred to in that item has been delivered.

(Transitional Measures on Prohibition of Giving and Receiving Undisclosed  
Information)

Article 17 The provisions of Article 153, paragraph (1), item (vii) do not apply to a person that is deemed to be a financial instruments business operator pursuant to the provisions of Article 15, paragraph (2), Article 16, paragraph (2), Article 17, paragraph (2), and Article 18, paragraph (2) of the Supplementary Provisions of the Cabinet Order on Arrangement of Relevant Cabinet Orders Incidental to Enforcement of the Act on Partial Amendment of the Securities and Exchange Act and Enforcement of the Act on Arrangement of Relevant Acts Incidental to Enforcement of the Act on Partial Amendment of the Securities and Exchange Act (Cabinet Order No. 233 of 2007; hereinafter

referred to as the "Cabinet Order on Arrangement"), until otherwise provided by law.

(Transitional Measures on Books and Documents)

Article 18 If a financial instruments business operator has prepared books and documents equivalent to those set forth in the items of Article 157, paragraph (1) (excluding items (i) and (ii); hereinafter the same applies in this Article) or the items of Article 181, paragraph (1) (excluding item (i); hereinafter the same applies in this Article) concerning financial instruments business they conduct during the period commencing from the day of the enforcement of this Cabinet Office Order to the day on which one year has passed from that day, those books and documents are deemed to be the books and documents set forth in the items of Article 157, paragraph (1) or the items of Article 181, paragraph (1).

Article 19 If a registered financial institution has prepared books and documents equivalent to those set forth in the items of Article 184, paragraph (1) (excluding item (i); hereinafter the same applies in this Article) concerning the registered financial institution business they conduct during the period commencing from day of the enforcement of this Cabinet Office Order to the day on which one year has passed from that day, those books and documents are deemed to be the books and documents set forth in the items of Article 184, paragraph (1).

(Effect of Dispositions)

Article 29 The dispositions imposed, procedures taken, or other acts performed pursuant to the provisions of the Cabinet Office Orders set forth in the items of Article 6 of the Supplementary Provisions before the amendment by that Article before the enforcement of the amended Act, for which corresponding provisions exist in the provisions of this Cabinet Office Order, are deemed to have been imposed, taken, or performed pursuant to the corresponding provisions of this Cabinet Office Order, except as otherwise provided for in the Supplementary Provisions of the amended Act, the Supplementary Provisions of the Cabinet Order on Arrangement, or these Supplementary Provisions.

(Transitional Measures on Application of Penal Provisions)

Article 30 For the purpose of applying penal provisions to acts performed before the enforcement of this Cabinet Office Order, the provisions then in force remain applicable.

(Notification of Specially Permitted Services for the Transitional Period)

- Article 31 (1) A foreign investment management business operator (meaning the foreign investment management business operator prescribed in Article 3-3, paragraph (1) of the Supplementary Provisions of the Act; the same applies hereinafter) or a subsidiary company of a foreign investment management business operator (meaning the subsidiary company prescribed in Article 29-4, paragraph (4) of the Act) that gives a notification pursuant to the provisions of Article 3-3, paragraph (1) of the Supplementary Provisions of the Act (including as applied mutatis mutandis pursuant to paragraph (7) of that Article) must submit a written notification on the specially permitted services for the transitional period (meaning the specially permitted services for the transitional period prescribed in Article 3-3, paragraph (5) of the Supplementary Provisions of the Act, and if applied mutatis mutandis pursuant to paragraph (7) of that Article, the services related to the acts prescribed in that paragraph; the same applies hereinafter) which has been prepared using the Appended Form 31 to the competent Director-General of a Local Finance Bureau or other competent officials for specially permitted services for the transitional period (meaning the Director-General of a Local Finance Bureau with jurisdiction over the locality of the head office, etc. of the notifier (if the locality falls within the jurisdictional area of the Fukuoka Local Finance Branch Bureau, to its Director-General); the same applies hereinafter)), by attaching a copy of the written notification.
- (2) The written notification referred to in the preceding paragraph may be prepared in English in the same manner as the Appended Form No. 31.

(Employees of Foreign Investment Management Business Operator, etc.)

- Article 32 (1) The person specified by Cabinet Office Order as prescribed in paragraph (3), item (i) of the Supplementary Provisions of the Order is a person that is in a position in which the person may be delegated the authority of a person that supervises the business prescribed in that item, irrespective of the person's title as the head of a department, the deputy head of a department, the section head, or any other title.
- (2) The persons specified by Cabinet Office Order as prescribed in paragraph (3), item (ii) of the Supplementary Provisions of the Order are the persons that make investment decisions based on analysis of the values, etc. of financial instruments.

(Matters to Be Notified Related to Specially Permitted Services for the Transitional Period)

- Article 33 The matters specified by Cabinet Office Order as prescribed in Article 3-3, paragraph (1), item (ix) of the Supplementary Provisions of the Act (including as applied mutatis mutandis pursuant to paragraph (7) of that

Article) are the following matters:

- (i) the telephone number and the website URL of the principal business office or office (for a foreign corporation, including the principal business office or office in Japan) and the business office or office for conducting specially permitted services for the transitional period;
- (ii) the day on which the foreign investment management business operator (for a person that falls under the case specified by Cabinet Order as prescribed in Article 3-3, paragraph (3), item (i), sub-item (b) of the Supplementary Provisions of the Act, the foreign investment management business operator and the persons set forth in the items of paragraph (5) of the Supplementary Provisions of the Order; the same applies in the following item) commenced business related to the investment management business in a foreign country (meaning the foreign country prescribed in Article 3-3, paragraph (3), item (i), sub-item (a) of the Supplementary Provisions of the Act; the same applies in Article 44, paragraph (1), item (i), and Article 49, paragraph (1), item (xi), and item (xii), sub-item (f), and paragraph (2), item (i), and item (xi), sub-item (a)) in compliance with foreign laws and regulations;
- (iii) if the foreign investment management business operator (if applied *mutatis mutandis* pursuant to Article 3-3, paragraph (7) of the Supplementary Provisions of the Act, the foreign investment management business operator and the subsidiary company) has been rendered an adverse disposition by an administrative agency based on foreign laws and regulations equivalent to the Act within three years before the date of notification, the date when the adverse disposition has been rendered, the reasons for being rendered the disposition, and the content of the disposition;
- (iv) if the notifier is a corporation, the following matters:
  - (a) the names of persons that are found to have the same or a higher authority over the corporation as directors, executive officers, or persons equivalent to them, irrespective of the person's title of advisor, consultant, or any other title; and
  - (b) the following matters concerning major shareholders (meaning the major shareholder prescribed in Article 3-3, paragraph (3), item (ii), sub-item (e) of the Supplementary Provisions of the Act, and if applied *mutatis mutandis* pursuant to paragraph (7) of that Article, excluding the foreign investment management business operator; the same applies in item (vi), sub-item (f), and Article 44, paragraph (1), item (xi), sub-item (h), Article 47, paragraph (2), item (iv), sub-items (b) and (c), Article 49, paragraph (1), item (xiii), and item (xv), sub-item (h), and paragraph (2), item (xi), sub-item (n), Article 50, item (i), sub-item (d), and item (ix), sub-item (d), Article 51, paragraph (1), item (vi), and Article 52, paragraph (1), item (iv)

- of the Supplementary Provisions):
1. the trade name or name;
  2. the location of the head office or principal office (for an individual, the domicile or residence); and
  3. for a corporation, the name of the representative;
- (v) for a foreign corporation, the location or domicile and telephone number of the representative in Japan;
- (vi) if applied *mutatis mutandis* pursuant to Article 3-3, paragraph (7) of the Supplementary Provisions of the Act, the following matters concerning the foreign investment management business operator:
- (a) the trade name or name;
  - (b) the amount of stated capital or the total amount of contribution;
  - (c) the names of officers (including persons that are found to have the same or a higher authority over the corporation as directors, executive officers or persons equivalent to them, irrespective of their title of advisor, consultant, or any other title; the same applies in Article 36, Article 44, paragraph (1), items (ix) and (xi), Article 47, paragraph (2), item (iii), sub-item (b), Article 49, paragraph (1), item (v), and item (xv), sub-item (c), and paragraph (2), items (ix) and (xi), Article 50, item (i), sub-item (b), and item (ix), sub-item (b), Article 51, paragraph (1), item (iv), sub-item (a), and Article 52, paragraph (1), item (ii) of the Supplementary Provisions);
  - (d) if the notifier has important employees (meaning the employee prescribed in paragraph (3) of the Supplementary Provisions of the Order; the same applies in Article 44, paragraph (1), items (ix) through (xi), Article 47, paragraph (2), item (iii), sub-item (b), Article 49, paragraph (1), item (vi), and item (xv), sub-item (d), and paragraph (2), items (ix) through (xi), Article 50, item (i), sub-item (b), item (ii), sub-item (b), and item (ix), sub-item (b), Article 51, paragraph (1), item (iv), sub-item (a), and Article 52, paragraph (1), item (ii) of the Supplementary Provisions), their names;
  - (e) the name and location of the principal business office or office; and
  - (f) the following matters concerning major shareholders:
    1. the trade name or name;
    2. the location of the head office or principal office (for an individual, the domicile or residence); and
    3. for a corporation, the name of the representative.

(Countries or Regions That Have a System for Persons Conducting Investment Management Business Found to Have Equivalent Standards to That in Japan for Protecting Investors)

Article 34 The countries or regions specified by Cabinet Office Order as prescribed in Article 3-3, paragraph (3), item (i), sub-item (a) of the

Supplementary Provisions of the Act are the countries or regions designated by the Commissioner of the Financial Services Agency by taking account of the regulations on investment management business under their laws and regulations, the situation of activities of persons conducting investment management business, and other circumstances.

(Company Split or Business Transfer)

- Article 35 (1) The cases specified by Cabinet Office Order as prescribed in Article 5, item (ii) of the Supplementary Provisions of the Order are the cases in which it is found that investment management business may be conducted by the business to be succeeded to through a split.
- (2) The cases specified by Cabinet Office Order as prescribed in Article 5, item (iii) of the Supplementary Provisions of the Order are the cases in which it is found that investment management business may be conducted by the business to be transferred.

(A Person That Does Not Have a Personnel Structure Sufficient to Properly Conduct Specially Permitted Services for the Transitional Period)

Article 36 The person specified by Cabinet Office Order as prescribed in Article 3-3, paragraph (3), item (i), sub-item (d) of the Supplementary Provisions of the Act (including as applied mutatis mutandis pursuant to paragraph (7) of that Article) is a person that falls under any of the following items:

- (i) a person who is unable to perform the services in a proper manner, in light of the status of securing officers or employees that have sufficient knowledge and experience for performing the services and their organizational structure; or
- (ii) a person who is likely to cause the specially permitted services for the transitional period to lose credibility, due to having among officers or employees a person with qualifications inappropriate for conducting the operation of the services in light of their personal history, relationship with an organized crime group as defined in Article 2, item (ii) of the Act on Prevention of Unjust Acts by Organized Crime Group Members, or relationship with organized crime group members as defined in item (vi) of that Article, or other circumstances.

(A Person Who is Found Not to Have Developed a System Necessary for Appropriately Performing Specially Permitted Services for the Transitional Period)

Article 37 The person specified by Cabinet Office Order as prescribed in Article 3-3, paragraph (3), item (i), sub-item (e) of the Supplementary Provisions of the Act (including as applied mutatis mutandis pursuant to paragraph (7) of that

Article) is a person who has not created the internal rules for appropriately performing specially permitted services for the transitional period (limited to internal rules that include provisions on measures for preventing persons other than foreign investors, etc. (meaning the foreign investors, etc. prescribed in paragraph (6) of that Article and limited to those who do not fall under any of paragraph (5), item (i), sub-item (a), 1. through 3. of that Article; the same applies in Article 60, Article 62, and Article 63 of the Supplementary Provisions) from becoming a right holder (including the persons set forth in Article 15-10-4, item (ii) of the Order)), or a person who has not developed a system for complying with those internal rules.

(Securities Excluded from Share Certificates)

Article 38 The securities specified by Cabinet Office Order as prescribed in paragraph (6) of the Supplementary Provisions of the Order are the following securities:

- (i) shares for which voting rights prescribed in paragraph (6) of the Supplementary Provisions of the Order may not be exercised, and for which the articles of incorporation do not provide the fact that the shares with voting rights are to be issued in exchange for the acquisition of the shares;
- (ii) share option certificates or corporate bond certificates with share options with the right to only acquire the shares set forth in the preceding item granted; and
- (iii) the securities set forth in paragraph (6), item (ii) of the Supplementary Provisions of the Order, for which the entrusted securities are the securities set forth in the preceding two items.

(Deemed Replacement of Terms In Cases in Which Foreign Investment Management Business Operators Perform Specially Permitted Services for the Transitional Period)

Article 39 When applying the provisions of this Cabinet Office Order pursuant to the provisions of Article 3-3, paragraph (4) of the Supplementary Provisions of the Act (including as applied mutatis mutandis pursuant to paragraph (7) of that Article), the term "Article 246-10, paragraph (3), item (iii)" in Article 1, paragraph (4), item (xii) is deemed to be replaced with "Article 246-10, paragraph (3), item (iii), and Article 64, paragraph (1), item (iii) of the Supplementary Provisions", the term "Article 246-22, paragraph (2), item (iii), sub-item (b)" in item (xiii) of that paragraph is deemed to be replaced with "Article 246-22, paragraph (2), item (iii), sub-item (b), and Article 44, paragraph (1), item (ix), sub-item (a), and item (xi), sub-item (c), Article 47, paragraph (2), item (iii), sub-item (b) (limited to the part related to 1.), and Article 49, paragraph (2), item (ix), sub-item (b), and item (xi), sub-item (i) of



the Supplementary Provisions", the term "Section 6-2" in Article 9, item (ii), sub-item (a) is deemed to be replaced with "Section 6-2, and Article 33, item (vi), sub-item (d), Article 44, paragraph (1), items (ix) through (xi), Article 47, paragraph (2), item (iii), sub-item (b), Article 49, paragraph (1), item (vi), and item (xv), sub-item (d), and paragraph (2), items (ix) through (xi), Article 50, item (i), sub-item (b), item (ii), sub-item (b), and item (ix), sub-item (b), Article 51, paragraph (1), item (iv), and Article 52, paragraph (1), item (ii)".

(Cases Delivery of Documents for Delivery Before the Conclusion of Contract Is Not Required)

Article 40 The cases specified by Cabinet Office Order as prescribed in the proviso to Article 37-3, paragraph (1) of the Act that is applied pursuant to the provisions of Article 63-9, paragraph (8) of the Act as applied pursuant to Article 3-3, paragraph (4) of the Supplementary Provisions of the Act are in addition to the cases set forth in the items of Article 80, paragraph (1), the cases in which a document similar to a document for delivery before conclusion of a contract (limited to a document prepared based on laws and regulations of the foreign country pursuant to the provisions of foreign laws and regulations) related to the financial instruments transaction contract (limited to a discretionary investment contract) has been delivered to the customer, or an electronic or magnetic record on which matters to be stated in the document are recorded has been provided to the customer (including the cases in which the customer is a person for whom delivery of the document or provision of the electronic or magnetic record is not required pursuant to the provisions of foreign laws and regulations).

(Cases Delivery of Documents for Delivery upon Conclusion of a Contract Is Not Required)

Article 41 The cases specified by Cabinet Office Order as prescribed in the proviso to Article 37-4, paragraph (1) of the Act that is applied pursuant to the provisions of Article 63-9, paragraph (8) of the Act as applied pursuant to Article 3-3, paragraph (4) of the Supplementary Provisions of the Act related to a document for delivery upon conclusion of a contract are in addition to the cases set forth in the items of Article 110, paragraph (1), the cases in which a document similar to a document for delivery upon conclusion of a contract (limited to a document prepared based on laws and regulations of the foreign country pursuant to the provisions of foreign laws and regulations) related to the financial instruments transaction contract (limited to a discretionary investment contract) has been delivered to the customer or an electronic or magnetic record on which matters to be stated in the document are recorded has been provided to the customer (including the cases in which the customer

is a person for whom delivery of the document or provision of the electronic or magnetic record is not required pursuant to the provisions of foreign laws and regulations).

(Circumstances in Which Status of Operation of Business is Likely to Be Contrary to Public Interest or Hinder the Protection of Investors)

Article 42 The circumstances specified by Cabinet Office Order as prescribed in Article 40, item (ii) of the Act that is applied pursuant to the provisions of Article 63-9, paragraph (8) of the Act as applied pursuant to Article 3-3, paragraph (4) of the Supplementary Provisions of the Act are in addition to the circumstances set forth in the items of Article 123, paragraph (1), the circumstances in which it is found that the measures necessary and appropriate for preventing the foreign investment management business operator from falling under Article 3-3, paragraph (3), item (i), sub-item (f) of the Supplementary Provisions of the Act have not been taken.

(Deemed Replacement of Terms of the Provisions on Delivery of Investment Reports)

Article 43 For the purpose of applying the provisions of Article 134, paragraph (5) when applying the provisions of the proviso to Article 42-7, paragraph (1) of the Act pursuant to the provisions of Article 63-9, paragraph (8) of the Act as applied pursuant to Article 3-3, paragraph (4) of the Supplementary Provisions of the Act, the term "Article 63-8, paragraph (1), item (i)" in Article 134, paragraph (5), item (v) is deemed to be replaced with "Article 3-3, paragraph (5), item (i) of the Supplementary Provisions".

(Documents to Be Attached to Written Notification on Specially Permitted Services for the Transitional Period)

Article 44 (1) The documents specified by Cabinet Office Order as prescribed in Article 63-9, paragraph (2), item (iii) of the Act as applied pursuant to the provisions of Article 3-3, paragraph (4) of the Supplementary Provisions of the Act (including as applied mutatis mutandis pursuant to paragraph (7) of that Article) are the following documents:

- (i) a document certifying that the foreign investment management business operator has obtained the same type of registration as the registration referred to in Article 29 of the Act (including permission or other administrative dispositions similar to the registration) for conducting investment management business in the foreign country pursuant to the provisions of laws and regulations of that foreign country;
- (ii) a document stating the outline of the investment management business that the foreign investment management business operator conducts in the

- foreign country in accordance with the foreign laws and regulations referred to in the preceding item (if there are any restrictions on the following matters or other matters under the laws and regulations or other rules of that foreign country, including the content of the restrictions and grounds for the restrictions):
- (a) the type of assets subject to investment, and the amount of assets held and the holding ratio of the assets;
  - (b) the total amount of money or other properties to be invested; and
  - (c) the customer attributes;
- (iii) a document certifying that three years have passed since the foreign investment management business operator commenced investment management business in the foreign country referred to in item (i) in conformity with the laws and regulations of that foreign country, or that the foreign investment management business operator falls under the case specified in paragraph (5) of the Supplementary Provisions of the Order;
- (iv) a copy of a document similar to the latest business report that the foreign investment management business operator (if attaching a document certifying that the foreign investment management business operator falls under the case specified in paragraph (5) of the Supplementary Provisions of the Order referred to in the preceding item, including the persons set forth in the items of that paragraph; the same applies in the following item and item (viii)) has submitted to the authority of the foreign country referred to in item (i) that supervises the foreign investment management business operator;
- (v) if the foreign investment management business operator (if applied *mutatis mutandis* pursuant to Article 3-3, paragraph (7) of the Supplementary Provisions of the Act, the foreign investment management business operator and the subsidiary company) has been rendered an adverse disposition by an administrative agency based on foreign laws and regulations equivalent to the Act within three years before the date of notification, the following documents:
- (a) a document certifying the content of the adverse disposition, the date when the adverse disposition has been rendered, and the reasons for being rendered the adverse disposition; and
  - (b) a copy of the laws and regulations of the foreign country, and their Japanese translation;
- (vi) the documents stating the personnel structure and the system for conducting business of the organization;
- (vii) internal rules concerning the specially permitted services for the transitional period;
- (viii) a document stating the changes in the percentages of the value of the

securities provided for in paragraph (6) of the Supplementary Provisions of the Order to the total amount of money or other properties to be invested by the foreign investment management business operator in the most recent business year;

(ix) if the notifier is a corporation, the following documents:

- (a) the resumes of the officers and important employees (if an officers is a corporation, a document stating the background of the officer);
- (b) extracts of the resident records of the officers and important employees (if an officer is a corporation, a certificate of registered information of the officer), or alternative documents;
- (c) if the former surname and given name of the officer or important employee are stated together with the name of the officer or important employee in a written notification referred to in Article 3-3, paragraph (1) of the Supplementary Provisions of the Act (including as applied mutatis mutandis pursuant to paragraph (7) of that Article), and the document set forth in sub-item (b) is not a document certifying the former surname and given name of the officer or important employee, a document certifying the former surname and given name;
- (d) a certificate issued by a public agency certifying that the officers and important employees do not fall under Article 29-4, paragraph (1), item (ii), (b) of the Act, or alternative documents;
- (e) the document with which the officer and important employee pledge that they do not fall under any of Article 29-4, paragraph (1), item (ii), sub-item (a), or sub-items (c) through (i) of the Act;
- (f) a document stating the number of subject voting rights (meaning the subject voting rights prescribed in Article 29-4, paragraph (2) of the Act, and including those deemed to be held pursuant to the provisions of paragraph (5) of that Article; the same applies in item (xi), sub-item (h), and Article 47, paragraph (2), item (iv), sub-item (a), and Article 49, paragraph (2), item (ix), sub-item (g), and item (xi), sub-item (n) of the Supplementary Provisions) held by major shareholders (meaning the major shareholder prescribed in Article 3-3, paragraph (3), item (ii), sub-item (e) of the Supplementary Provisions of the Act; the same applies in Article 47, paragraph (2), item (iv), sub-item (a), and Article 49, paragraph (2), item (ix), sub-item (g) of the Supplementary Provisions);

(x) if the notifier is an individual, the following documents:

- (a) the resumes of the notifier and important employees;
- (b) extracts of the resident records of the notifier and important employees, or alternative documents;
- (c) if the former surname and given name of the notifier or important employee are stated together with the name of the notifier or important

- employee in a written notification referred to in Article 3-3, paragraph (1) of the Supplementary Provisions of the Act, and the document set forth in sub-item (b) is not a document certifying the former surname and given name of the notifier or important employee, a document certifying the former surname and given name;
- (d) a certificate issued by a public agency certifying that the notifier and important employee do not fall under Article 29-4, paragraph (1), item (ii), sub-item (b) of the Act, or alternative documents;
  - (e) documents with which an important employee pledges that they do not fall under any of Article 29-4, paragraph (1), item (ii), sub-item (a), or sub-items (c) through (i) of the Act;
- (xi) if applied *mutatis mutandis* pursuant to Article 3-3, paragraph (7) of the Supplementary Provisions of the Act, the following documents related to the foreign investment management business operator:
- (a) a document with which the foreign investment management business operator pledges that they do not fall under Article 3-3, paragraph (3), items (i) and (ii) (excluding sub-items (b) through (d)) of the Supplementary Provisions of the Act, 4rethe articles of incorporation (including an equivalent document), and a certificate of registered information of the corporation (including an equivalent document);
  - (b) the documents stating the personnel structure and the system for conducting business of the organization;
  - (c) the resumes of the officers and important employees (if an officer is a corporation, a document stating the background of the officer);
  - (d) extracts of the resident records of the officers and important employees (if an officer is a corporation, a certificate of registered information of the officer), or alternative documents;
  - (e) if the former surname and given name of an officer or important employee are stated together with the name of the officer or important employee in a written notification referred to in Article 3-3, paragraph (1) of the Supplementary Provisions of the Act as applied *mutatis mutandis* pursuant to paragraph (7) of that Article, and the document set forth in sub-item (d) is not a document certifying the former surname and given name of the officer or important employee, a document certifying the former surname and given name;
  - (f) a certificate issued by a public agency certifying that the officers and important employees do not fall under Article 29-4, paragraph (1), item (ii), sub-item (b) of the Act, or alternative documents;
  - (g) a document with which the officer and important employee pledge that they do not fall under any of Article 29-4, paragraph (1), item (ii), sub-item (a), or sub-items (c) through (i) of the Act; and

- (h) a document stating the number of subject voting rights held by major shareholders.
- (2) The documents set forth in the items of the preceding paragraph may be written in English.

(Public Inspection of Notified Matters Concerning Specially Permitted Services for the Transitional Period by Commissioner of the Financial Services Agency or Other Officials)

Article 45 (1) The Commissioner of the Financial Services Agency or the competent Director-General of a Local Finance Bureau or other competent officials for specially permitted services for the transitional period is to keep the information stated in the Appended Form No. 32 concerning notifiers of specially permitted services for the transitional period (meaning a person that comes to fall under a notifier of specially permitted services for foreign investors, etc. pursuant to the provisions of Article 3-3, paragraph (4) of the Supplementary Provisions of the Act (including as applied *mutatis mutandis* pursuant to paragraph (7) of that Article; the same applies in the following paragraph); the same applies hereinafter) at the Financial Services Agency or the local finance bureau with jurisdiction over the locality of the head office, etc. of the notifier of specially permitted services for the transitional period (if the locality falls within the jurisdictional district of the Fukuoka Local Finance Branch Bureau, at the Fukuoka Local Finance Branch Bureau), and make the information available for public inspection, or publicize it by using the internet or other means.

- (2) The matters specified by Cabinet Office Order as prescribed in Article 63-9, paragraph (4) of the Act that is applied pursuant to the provisions of Article 3-3, paragraph (4) of the Supplementary Provisions of the Act are the matters stated in the Appended Form No. 32.

(Public Inspection of Notified Matters Concerning Specially Permitted Services for the Transitional Period by Notifiers of Specially Permitted Services for the Transitional Period)

Article 46 (1) Pursuant to the provisions of Article 63-9, paragraph (5) of the Act that is applied pursuant to the provisions of Article 3-3, paragraph (4) of the Supplementary Provisions of the Act (including as applied *mutatis mutandis* pursuant to paragraph (7) of that Article; the same applies in the following paragraph), a notifier of specially permitted services for the transitional period must keep a copy of the document prepared using the Appended Form No. 32 at their principal business office or office and all business offices or offices for conducting specially permitted services for the transitional period (for a foreign corporation, at its principal business office or office in Japan and all business

offices or offices in Japan for conducting specially permitted services for the transitional period) and make the copy available for public inspection, or publicize the copy by using the internet or other means to enable easy access for investors at all times.

- (2) The matters specified by Cabinet Office Order as prescribed in Article 63-9, paragraph (5) of the Act that is applied pursuant to the provisions of Article 3-3, paragraph (4) of the Supplementary Provisions of the Act are the matters stated in the Appended Form No. 32.
- (3) The document referred to in paragraph (1) may be prepared in English in the same manner as the Appended Form No. 32.

(Notification of Change of Matters to be Notified Concerning Specially Permitted Services for the Transitional Period)

Article 47 (1) A notifier of specially permitted services for the transitional period that gives a notification pursuant to the provisions of Article 63-9, paragraph (7) of the Act that is applied pursuant to the provisions of Article 3-3, paragraph (4) of the Supplementary Provisions of the Act (including as applied *mutatis mutandis* pursuant to paragraph (7) of that Article; hereinafter the same applies in this paragraph) must submit a written notification stating the content of the change, the date of the change, and the reasons for the change to the Commissioner of the Financial Services Agency or the competent Director-General of a Local Finance Bureau for the notification of specially permitted services for the transitional period (meaning the Commissioner of the Financial Services Agency for a notifier of specially permitted services for the transitional period designated by the Commissioner of the Financial Services Agency pursuant to the provisions of Article 42, paragraph (2) of the Order that is applied pursuant to the provisions of Article 3-3, paragraph (4) of the Supplementary Provisions of the Act, and meaning the competent Director-General of a Local Finance Bureau or other competent officials for specially permitted services for the transitional period in the case of other notifier of specially permitted services for the transitional period; the same applies hereinafter), by attaching a document stating the content of the change prepared using the Appended Form No. 31 and its copy.

- (2) The documents specified in the following items in accordance with the category of the cases set forth in each of those items are to be attached to the written notification referred to in the preceding paragraph; provided, however, that if there are compelling reasons, it is sufficient to submit the documents after submitting the written notification without delay:
  - (i) if there is any change to the matters set forth in Article 3-3, paragraph (1), item (i) of the Supplementary Provisions of the Act or Article 33, item (vi), sub-item (a) of the Supplementary Provisions: the following documents:

- (a) a certificate of registered information stating the changed matters (for an individual, an extract of the resident record), or alternative documents;  
and
- (b) if the former surname and given name are stated together with the current name in a document stating the changed content which is prepared using the Appended Form No. 31 and the document set forth in sub-item (a) is not a document certifying the former surname and given name, a document certifying the former surname and given name;
- (ii) if there is any change to the matters set forth in Article 3-3, paragraph (1), item (ii) or (vi) of the Supplementary Provisions of the Act or Article 33, item (vi), sub-item (b) or (e) of the Supplementary Provisions: a certificate of registered information stating the matters that have been changed, or alternative documents;
- (iii) if there is any change to the matters set forth in Article 3-3, paragraph (1), item (iii) or (iv) of the Supplementary Provisions of the Act, or Article 33, item (iv), sub-item (a), or item (vi), sub-item (c) or (d) of the Supplementary Provisions: the following documents:
  - (a) if there is a change of officers, a certificate of the registered information stating the changed matters, or alternative documents;
  - (b) the following documents concerning the persons that have newly become an officer or important employee:
    1. the resumes (if an officer is a corporation, a document stating the background of the officer);
    2. extracts of the resident records (if an officer is a corporation, a certificate of the registered information of the officer), or alternative documents;
    3. if the former surname and given name are stated together with the current name in a document stating the changed content which is prepared using the Appended Form No. 31 and the document set forth in 2. is not a document certifying the former surname and given name, a document certifying the former surname and given name;
    4. a certificate issued by a public agency certifying that the person does not fall under Article 29-4, paragraph (1), item (ii), sub-item (b) of the Act, or alternative documents;
    5. a document with which the officer and important employee pledge that they do not fall under any of Article 29-4, paragraph (1), item (ii), sub-item (a), or sub-items (c) through (i) of the Act;
    6. if the notifier of specially permitted services for the transitional period is a corporation, a document with which they pledge that the corporation does not fall under Article 3-3, paragraph (3), item (ii), sub-item (a) of the Supplementary Provisions of the Act (limited to the



- part related to Article 29-4, paragraph (1), item (ii), sub-item (a) of the Act) (if there is any change to the matters set forth in Article 33, item (vi), sub-item (c) or (d) of the Supplementary Provisions, a document with which the foreign investment management business operator pledges that they do not fall under Article 3-3, paragraph (3), item (ii), sub-item (a) of the Supplementary Provisions of the Act (limited to the part related to Article 29-4, paragraph (1), item (ii), sub-item (a) of the Act));
7. if the notifier of specially permitted services for the transitional period is an individual, a document with which they pledge that they do not fall under Article 3-3, paragraph (3), item (ii), sub-items (a) of the Supplementary Provisions of the Act (limited to the part related to Article 29-4, paragraph (1), item (ii), sub-item (a) of the Act);
- (iv) if there is any change to the matters set forth in Article 33, item (iv), sub-item (b), or item (vi), sub-item (f) of the Supplementary Provisions, the following documents:
- (a) a document stating the number of subject voting rights held by major shareholders (if there is any change to the matters set forth in Article 33, item (vi), sub-item (f) of the Supplementary Provisions, major shareholders of the foreign investment management business operator);
- (b) if there is a person that has newly become a major shareholder (if there is any change to the matters set forth in Article 33, item (vi), sub-item (f) of the Supplementary Provisions, a major shareholder of the foreign investment management business operator; the same applies in sub-item (c)) and the major shareholder is an individual, a document with which the individual pledges that they do not fall under Article 3-3, paragraph (3), item (ii), sub-item (e) of the Supplementary Provisions of the Act (if there has been any change to the matters specified in Article 33, item (vi), sub-item (f) of the Supplementary Provisions, a document with which the foreign investment management business operator pledges that they do not fall under item (ii), sub-item (e) of that paragraph); and
- (c) if there is a person who has newly become a major shareholder and the major shareholder is a corporation, a document with which the person pledges that they do not fall under Article 3-3, paragraph (3), item (ii), (f) of the Supplementary Provisions of the Act (if there is any change to the matters set forth in Article 33, item (vi), (f) of the Supplementary Provisions, a document with which the foreign investment management business operator pledges that they do not fall under item (ii), (f) of that paragraph).
- (3) The written notification referred to in paragraph (1) and the documents specified in the items of the preceding paragraph may be written in English.

- (4) The document referred to in paragraph (1) may be prepared in English in the same manner as the Appended Form No. 31.

(Notification When Services No Longer Fall Under Specially Permitted Services for the Transitional Period)

Article 48 (1) A notifier of specially permitted services for the transitional period that gives a notification pursuant to the provisions of Article 63-9, paragraph (10) of the Act that is applied pursuant to the provisions of Article 3-3, paragraph (4) of the Supplementary Provisions of the Act (including as applied *mutatis mutandis* pursuant to paragraph (7) of that Article) must submit a written notification stating that fact, the date when the business came to no longer fall under specially permitted services for the transitional period, and the reasons for no longer falling under those services, to the Commissioner of the Financial Services Agency or the competent Director-General of a Local Finance Bureau for the notification of specially permitted services for the transitional period.

- (2) The written notification referred to in the preceding paragraph may be written in English.

(Notification of Succession of Status of Notifier of Specially Permitted Services for the Transitional Period)

Article 49 (1) A person that gives a notification pursuant to the provisions of Article 63-10, paragraph (2) of the Act that is applied pursuant to the provisions of Article 3-3, paragraph (4) of the Supplementary Provisions of the Act (including as applied *mutatis mutandis* pursuant to paragraph (7) of that Article) must submit a written notification stating the following matters (if applied *mutatis mutandis* pursuant to Article 3-3, paragraph (7) of the Supplementary Provisions of the Act, excluding the matters set forth in item (xi)), to the Commissioner of the Financial Services Agency or the competent Director-General of a Local Finance Bureau for the notification of specially permitted services for the transitional period related to the notifier of specially permitted services for the transitional period (limited to a person who is to fall under a notifier of specially permitted services for foreign investors, etc. referred to in the provisions of Article 63-10, paragraph (1) of the Act that is applied pursuant to the provisions of Article 3-3, paragraph (4) of the Supplementary Provisions of the Act):

- (i) the trade name or name of the successor;
- (ii) the date of and the reasons for the succession;
- (iii) the method of succession;
- (iv) if the successor is a corporation, the amount of stated capital, or the total amount of contribution;

- (v) if the successor is a corporation, the names of the officers;
- (vi) if the successor has important employees, their names;
- (vii) the name and location of the principal business office or office (for a foreign corporation, including the principal business office or office in Japan; the same applies in item (x)) of the successor;
- (viii) the name and location of the business office or office in which the successor conducts specially permitted services for the transitional period;
- (ix) if the successor conducts another business, the type of that business;
- (x) the telephone number and the website URL of the principal business office or office of the successor and the business office or office for conducting specially permitted services for the transitional period;
- (xi) the day on which the successor (for a person falling under the case specified by Cabinet Order as prescribed in Article 3-3, paragraph (3), item (i), sub-item (b) of the Supplementary Provisions of the Act, the successor and the persons set forth in the items of paragraph (5) of the Supplementary Provisions of the Order; the same applies in the following item and item (iv), item (v), and item (viii) of the following paragraph) has commenced services related to the investment management business in a foreign country in accordance with the laws and regulations of that foreign country;
- (xii) if the successor has been rendered an adverse disposition by an administrative agency based on foreign laws and regulations equivalent to the Act within three years before the date of notification, the date when the adverse disposition was rendered, the reasons for the adverse disposition to be rendered, and the content of the adverse disposition;
- (xiii) if the successor is a corporation, the following matters concerning major shareholders:
  - (a) the trade name or name;
  - (b) the location of the head office or principal office (for an individual, the domicile or residence); and
  - (c) for a corporation, the name of its representative;
- (xiv) if the successor is a foreign corporation, the location or domicile and telephone number of the representative in Japan;
- (xv) if the successor conducts services related to the acts specified in Article 3-3, paragraph (7) of the Supplementary Provisions of the Act, the following matters related to the foreign investment management business operator:
  - (a) the trade name or name;
  - (b) the amount of stated capital or the total amount of contribution;
  - (c) the names of the officers;
  - (d) if the successor has important employees, their names;
  - (e) the name and location of the principal business office or office;
  - (f) the day on which the foreign investment management business operator

- (for a person falling under the case specified by Cabinet Order as prescribed in Article 3-3, paragraph (3), item (i), sub-item (b) of the Supplementary Provisions of the Act, the foreign investment management business operator and the persons set forth in the items of paragraph (5) of the Supplementary Provisions of the Order; the same applies in sub-item (g), and item (xi), sub-item (d), sub-item (e), and sub-item (g) of the following paragraph) has commenced services related to the investment management business in a foreign country in accordance with the laws and regulations of that foreign country;
- (g) if the foreign investment management business operator has been rendered an adverse disposition by an administrative agency based on foreign laws and regulations equivalent to the Act within three years before the date of notification, the date when the adverse disposition has been rendered, the reasons for being rendered the adverse disposition, and the content of the adverse disposition;
- (h) the following matters concerning major shareholders:
1. the trade name or name;
  2. the location of the head office or principal office (for an individual, the domicile or residence); and
  3. for a corporation, the name of its representative.
- (2) The following documents (if applied mutatis mutandis pursuant to Article 3-3, paragraph (7) of the Supplementary Provisions of the Act, excluding the documents set forth in items (i) through (iv) and item (viii)) are to be attached to the written notification referred to in the preceding paragraph; provided, however, that if there are compelling reasons, it is sufficient to submit the documents without delay after submission of the written notification:
- (i) a document certifying that the successor has obtained the same type of registration as the registration referred to in Article 29 of the Act (including permission or other administrative dispositions similar to the registration) for conducting investment management business in the foreign country pursuant to the provisions of the laws and regulations of that foreign country;
- (ii) a document stating the outline of investment management business that the successor conducts in the foreign country referred to in the preceding item in accordance with the laws and regulations of that foreign country (if there are restrictions on the following matters or other matters under the laws and regulations or other rules of that foreign country, including the content of the restrictions and the grounds for the restrictions):
- (a) the type of assets subject to investment and the amount of assets held and the holding ratio of the assets;
  - (b) the total amount of money or other properties to be invested; and

- (c) the customer attributes;
- (iii) a document certifying that three years have passed since the successor commenced the investment management business in the foreign country referred to in item (i) in accordance with the laws and regulations of that foreign country, or that the successor falls under the case specified in paragraph (5) of the Supplementary Provisions of the Order;
- (iv) a copy of a document similar to the latest business report that the successor has submitted to the authority of the foreign country referred to in item (i) which supervises the successor;
- (v) if the successor has been rendered an adverse disposition by an administrative agency based on foreign laws and regulations equivalent to the Act within three years before the date of notification, the following documents:
  - (a) a document certifying the content of the adverse disposition, the date when the adverse disposition was rendered, and the reasons for being rendered the adverse disposition; and
  - (b) a copy of the foreign laws and regulations, and their Japanese translation;
- (vi) the documents stating the personnel structure and the system for conducting business of the organization;
- (vii) internal rules concerning the specially permitted services for the transitional period;
- (viii) a document stating the changes in the percentage of the value of the securities provided for in paragraph (6) of the Supplementary Provisions of the Order to the total amount of money or other properties to be invested by the successor in the most recent business year;
- (ix) if the successor is a corporation, the following documents:
  - (a) a document with which the successor pledges that they do not fall under Article 3-3, paragraph (3), items (i) and (ii) (excluding sub-item (d)) of the Supplementary Provisions of the Act, the articles of incorporation (including a document equivalent to them), and a certificate of registered information of the corporation (including a document equivalent to that);
  - (b) the resume of the officers and important employees (if any of the officers is a corporation, a document stating the background of the officer);
  - (c) extracts of the resident records of the officers and important employees (if an officer is a corporation, a certificate of registered information of the officer), or alternative documents;
  - (d) if the former surname and given name of an officer or important employee are stated together with the current name of the officer or important employee in a written notification referred to in the preceding paragraph, and the document set forth in sub-item (c) is not a document certifying the

- former surname and given name of the officer or important employee, a document certifying the former surname and given name;
- (e) a certificate issued by a public agency certifying that the officer and important employee do not fall under Article 29-4, paragraph (1), item (ii), sub-item (b) of the Act, or alternative documents;
- (f) documents in which the officers and important employees pledge that they do not fall under any of Article 29-4, paragraph (1), item (ii), sub-item (a), or sub-items (c) through (i) of the Act; and
- (g) a document stating the number of subject voting rights held by major shareholders;
- (x) if the successor is an individual, the following documents:
  - (a) a document with which the successor pledges that they do not fall under Article 3-3, paragraph (3), items (i) and (iii) of the Supplementary Provisions of the Act;
  - (b) the resumes of the successor and important employees;
  - (c) extracts of the resident records of the successor and important employees, or alternative documents;
  - (d) if the former surname and given name of the successor and important employee are stated together with the name of the successor and important employee in a written notification referred to in the preceding paragraph, and the document specified in sub-item (c) is not a document certifying the former surname and given name of the successor and important employee, a document certifying the former surname and given name;
  - (e) a certificate issued by a public agency certifying that the successor and important employees do not fall under Article 29-4, paragraph (1), item (ii), (b) of the Act, or alternative documents;
  - (f) a document with which the important employees pledges that they do not fall under any of Article 29-4, paragraph (1), item (ii), sub-items (a) or sub-items (c) through (i) of the Act; and
- (xi) if the successor conducts services related to the acts specified in Article 3-3, paragraph (7) of the Supplementary Provisions of the Act, the following documents concerning the foreign investment management business operator:
  - (a) a document certifying that the foreign investment management business operator has obtained the same type of registration as the registration referred to in Article 29 of the Act (including permission or any other administrative dispositions similar to the registration) for conducting investment management business in the foreign country pursuant to the provisions of the laws and regulations of that foreign country;
  - (b) a document stating the outline of investment management business that the foreign investment management business operator conducts in the

foreign country set forth in sub-item (a) in accordance with the laws and regulations of that foreign country (if there are any restrictions on the following matters or other matters under the laws and regulations or other rules of that foreign country, including the content of the restrictions and the grounds for the restrictions):

1. the type of assets subject to the investment and the amount of the assets held and the holding ratio of the assets;
  2. the total amount of money or other properties to be invested; and
  3. the customer attributes;
- (c) a document certifying that three years have passed since the foreign investment management business operator commenced investment management business in the foreign country referred to in sub-item (a) in accordance with the laws and regulations of that foreign country, or that the foreign investment management business operator falls under the case specified in paragraph (5) of the Supplementary Provisions of the Order;
- (d) a copy of a document similar to the latest business report that the foreign investment management business operator has submitted to the foreign authority referred to in sub-item (a) which supervises the foreign investment management business operator;
- (e) if the foreign investment management business operator has been rendered an adverse disposition by an administrative agency based on foreign laws and regulations equivalent to the Act within three years before the date of notification, the following documents:
1. a document certifying the content of the adverse disposition, the date when the adverse disposition has been rendered, and the reasons for being rendered the adverse disposition; and
  2. a copy of the foreign laws and regulations, and their Japanese translation;
- (f) the documents stating the personnel structure and the system for conducting business of the organization;
- (g) a document stating the changes in the percentage of the value of the securities provided for in paragraph (6) of the Supplementary Provisions of the Order to the total amount of money or other properties to be invested by the foreign investment management business operator in the most recent business year;
- (h) a document with which the foreign investment management business operator pledges that they do not fall under Article 3-3, paragraph (3), items (i) and (ii) (excluding sub-items (b) through (d)) of the Supplementary Provisions of the Act, the articles of incorporation (including a document equivalent to them), and a certificate of registered information of the corporation (including a document equivalent to it);

- (i) the resumes of the officers and important employees (if an officer is a corporation, a document stating the background of the officer);
  - (j) extract of the resident records of the officers and important employees (if an officers is a corporation, a certificate of registered information of the officer), or alternative documents;
  - (k) if the former surname and given name of an officer or important employee are stated together with the current name of the officer or important employee in a written notification referred to in the preceding paragraph, and the document set forth in sub-item (j) is not a document certifying the former surname and given name of the officer or important employee, a document certifying the former surname and given name;
  - (l) a certificate issued by a public agency certifying that the officers and important employees do not fall under Article 29-4, paragraph (1), item (ii), sub-item (b) of the Act, or alternative documents;
  - (m) documents with which the officers and important employees pledge that they do not fall under any of Article 29-4, paragraph (1), item (ii), sub-item (a), or sub-items (c) through (i) of the Act; and
  - (n) a document stating the number of subject voting rights held by major shareholders.
- (3) The written notification referred to in paragraph (1) and the documents set forth in the items of the preceding paragraph may be written in English.

(Cases in Which Notification of Discontinuation of Business is Given by Notifiers of Specially Permitted Services for the Transitional Period)

Article 50 The cases specified by Cabinet Office Order as prescribed in Article 63-10, paragraph (3), item (iii) of the Act that is applied pursuant to the provisions of Article 3-3, paragraph (4) of the Supplementary Provisions of the Act (including as applied mutatis mutandis pursuant to paragraph (7) of that Article) are as follows (if applied mutatis mutandis pursuant to Article 3-3, paragraph (7) of the Supplementary Provisions of the Act, excluding the case set forth in item (viii)):

- (i) if the notifier is a corporation, the following cases:
  - (a) the cases in which the notifier has come to fall under Article 29-4, paragraph (1), item (i), sub-item (a) of the Act (limited to the part related to the provisions of foreign laws and regulations equivalent to the Act or the Act on the Provision of Financial Services) or sub-item (c) of that item;
  - (b) if the notifier becomes aware of the fact that an officer or important employee has come to fall under Article 199, item (ii), sub-item (a) or (b);
  - (c) if the articles of incorporation (including a document equivalent to them) have been amended; and
  - (d) if the notifier becomes aware of the fact that a major shareholder has



- come to fall under any of Article 199, item (xi), sub-item (c), 1. through 4.;
- (ii) if the notifier is an individual, the following cases:
    - (a) if the notifier has come to fall under Article 199, item (ii), sub-item (a) or Article 29-4, paragraph (1), item (i), sub-item (a) (limited to the part related to the provisions of foreign laws and regulations equivalent to the Act or the Act on the Provision of Financial Services) or sub-item (c), or item (ii), sub-items (b) through (h), or sub-item (i) (excluding the part related to the provisions of the laws provided for in item (i), sub-item (c) of that paragraph); and
    - (b) if the notifier becomes aware of the fact that an important employee has come to fall under Article 199, item (ii), sub-item (a) or (b);
  - (iii) if there is any change to the content of the documents set forth in Article 44, paragraph (1), item (ii), item (vi), or item (vii) of the Supplementary Provisions;
  - (iv) if the notifier becomes aware that an officer or employee has committed an act that violates laws and regulations, etc. (meaning laws and regulations, dispositions by administrative agencies based on laws and regulations, or articles of incorporation and other regulations, and including foreign laws and regulations, etc.; the same applies in item (ix), sub-item (f)) (for acts related to services other than specially permitted services for the transitional period, limited to acts that may have a material impact on the operations of the services or the status of property of the notifier of specially permitted services for the transitional period; hereinafter referred to as "problematic conduct, etc." in this item and the following item, and paragraph (1), items (vii) and (viii) of the following Article) (excluding problematic conduct, etc. that is an act set forth in Article 118, item (i), sub-items (a) through (d), or item (ii), sub-item (a) or (b), or an act set forth in sub-item (c) of that item (excluding acts in violation of laws and regulations), and has been caused due to negligence; the same applies in the following item);
  - (v) if the details of the problematic conduct, etc. referred to in the preceding item have become clear;
  - (vi) if the notifier of specially permitted services for the transitional period has become a party to an action or a conciliation (for an action or a conciliation concerning services other than specially permitted services for the transitional period, limited to those that may have a material impact on the operations of the services or the status of property of the notifier of specially permitted services for the transitional period), or if the action or conciliation has been concluded;
  - (vii) if the notifier has been rendered an adverse disposition by an administrative agency based on foreign laws and regulations equivalent to the Act (limited to those related to specially permitted services for the

- transitional period and excluding the cases falling under Article 29-4, paragraph (1), item (i), sub-item (a) of the Act);
- (viii) if the notifier has come to fall under Article 3-3, paragraph (3), item (i), sub-item (f) of the Supplementary Provisions of the Act;
- (ix) if applied *mutatis mutandis* pursuant to Article 3-3, paragraph (7) of the Supplementary Provisions of the Act, the following cases concerning the foreign investment management business operator:
- (a) if the foreign investment management business operator has come to fall under Article 29-4, paragraph (1), item (i), sub-item (a) (limited to the part related to the provisions of foreign laws and regulations equivalent to the Act or the Act on the Provision of Financial Services) or sub-item (c) of the Act;
  - (b) if the foreign investment management business operator becomes aware of the fact that an officer or important employee has come to fall under Article 199, item (ii), sub-item (a) or (b);
  - (c) if their articles of incorporation (including an equivalent document) have been amended;
  - (d) if the foreign investment management business operator becomes aware of the fact that a major shareholders has come to fall under any of Article 199, item (xi), sub-item (c), 1. through 4.;
  - (e) if there is any change to the content of the documents set forth in Article 44, paragraph (1), item (xi), sub-item (b) of the Supplementary Provisions;
  - (f) if the foreign investment management business operator becomes aware that an officer or employee has committed an act that violates laws and regulations (limited to acts which may have a material impact on the operations of the investment management business or status of property of the foreign investment management business operator; hereinafter referred to as "problematic conduct, etc. of the parent company" in sub-items (f) and (g), and paragraph (1), item (vii), sub-item (a), and item (viii), sub-item (a) of the following Article) (excluding the cases in which the problematic conduct, etc. of the parent company is an act set forth in Article 118, item (i), sub-items (a) through (d), or item (ii), sub-item (a) or (b), or an act set forth in sub-item (c) of that item (excluding acts violating laws and regulations), and has been caused due to negligence; the same applies in sub-item (g));
  - (g) if the details of the problematic conduct, etc. of the parent company referred to in sub-item (f) have become clear;
  - (h) if the foreign investment management business operator has become a party to an action or a conciliation (limited to an action or conciliation that may have a material impact on the operations of the investment management business or status of property of the foreign investment

management business operator), or if the action or conciliation has been concluded;

- (i) if the foreign investment management business operator has been rendered an adverse disposition by an administrative agency based on foreign laws and regulations equivalent to the Act (limited to those related to the investment management business conducted by the foreign investment management business operator in a foreign country and excluding the cases falling under Article 29-4, paragraph (1), item (i), sub-item (a) of the Act); and
- (j) if the foreign investment management business operator has come to fall under Article 3-3, paragraph (3), item (i), sub-item (f) of the Supplementary Provisions of the Act.

(Notification of Discontinuation of Business Given by Notifiers of Specially Permitted Services for the Transitional Period)

Article 51 (1) A notifier of specially permitted services for the transitional period that gives a notification pursuant to the provisions of Article 63-10, paragraph (3) of the Act that is applied pursuant to the provisions of Article 3-3, paragraph (4) of the Supplementary Provisions of the Act (including as applied *mutatis mutandis* pursuant to paragraph (7) of that Article; hereinafter the same applies in this paragraph) must submit a written notification stating the matters specified in the following items in accordance with the category of the cases set forth in each of those items to the Commissioner of the Financial Services Agency or the competent Director-General of a Local Finance Bureau for the notification of specially permitted services for the transitional period:

- (i) if the case falls under Article 63-10, paragraph (3), item (i) of the Act that is applied pursuant to the provisions of Article 3-3, paragraph (4) of the Supplementary Provisions of the Act: the period of suspension or the date of resumption, and the reasons for the suspension or resumption;
- (ii) if the case falls under Article 63-10, paragraph (3), item (ii) of the Act that is applied pursuant to the provisions of Article 3-3, paragraph (4) of the Supplementary Provisions of the Act: the date of and reasons for the discontinuation; and
- (iii) if the case falls under item (i), sub-item (a), item (ii), sub-item (a), or item (ix), sub-item (a) of the preceding Article: the matters specified in the following sub-items (a) through (c) in accordance with the category of the cases specified in the sub-items (a) through (c):
  - (a) if the case falls under Article 29-4, paragraph (1), item (i), sub-item (a) of the Act (limited to the part related to the provisions of foreign laws and regulations equivalent to the Act or the Act on the Provision of Financial Services), the following matters:

1. the content of the registration, etc. obtained by the notifier of specially permitted services for the transitional period (if falling under item (ix), sub-item (a) of the preceding Article, the foreign investment management business operator; the same applies in 1.) in a foreign country pursuant to the laws and regulations of that foreign country equivalent to the Act or the Act on the Provision of Financial Services or the same type of notification as the notification under the provisions of Article 63, paragraph (2), Article 63-3, paragraph (1), Article 63-9, paragraph (1), or Article 63-11, paragraph (1) of the Act given by the notifier of specially permitted services for the transitional period pursuant to foreign laws and regulations equivalent to the Act or the Act on the Provision of Financial Services;
  2. the date of the registration, etc. or notification;
  3. the date of and the reasons for the revocation of the registration, etc. being made or the date of and the reasons for the order of the suspension of the business related to the notification being given; and
  4. the content of the business for which the registration, etc. was revoked or the suspension of the business related to the notification was ordered;
- (b) in the case of having come to fall under Article 29-4, paragraph (1), item (i), sub-item (c) of the Act, the following matters:
1. the provisions of the laws and regulations that have been violated; and
  2. the date when the punishment became final and binding, and the amount of the fine;
- (c) if the notifier of specially permitted services for the transitional period that is an individual has come to fall under Article 199, item (ii), sub-item (a) or Article 29-4, paragraph (1), item (ii), sub-items (b) through (h), or sub-item (i) of the Act (excluding the part related to the provisions of the laws specified in item (i), sub-item (c) of that paragraph; the same applies in 3.), the following matters:
1. in the case of having come to fall under Article 199, item (ii), sub-item (a), the date when the notifier has come to fall under the provisions and the reasons for that;
  2. in the case of having come to fall under Article 29-4, paragraph (1), item (ii), sub-item (b) of the Act, the date when the notifier became subject to the order for commencement of bankruptcy proceedings;
  3. in the case of having come to fall under Article 29-4, paragraph (1), item (ii), sub-item (c) or (i) of the Act, the date when the punishment became final and binding, and the type of punishment;
  4. in the case of having come to fall under Article 29-4, paragraph (1), item (ii), sub-item (d) or (e) of the Act, the date of and the reasons for the

- revocation being made or the order being given;
5. in the case of having come to fall under Article 29-4, paragraph (1), item (ii), sub-item (f) or (g) of the Act, the date of and the reasons for the notice under the provisions of Article 15 of the Administrative Procedure Act to be given and the date of and the reasons for giving the notification under the provisions of Article 50-2, paragraph (1), Article 60-7 (including as applied mutatis mutandis pursuant to Article 60-14, paragraph (2) of the Act; hereinafter the same applies in this Article), Article 63-2, paragraph (2), paragraph (3) (including as applied mutatis mutandis pursuant to Article 63-3, paragraph (2) of the Act; hereinafter the same applies in this Article) or paragraph (4), Article 63-10, paragraph (2), paragraph (3) (including as applied mutatis mutandis pursuant to Article 63-11, paragraph (2) of the Act; hereinafter the same applies in this Article) or paragraph (4), Article 66-19, paragraph (1), Article 66-40, paragraph (1), or Article 66-61, paragraph (1) of the Act, or Article 16, paragraph (3) of the Act on the Provision of Financial Services; and
  6. in the case of having come to fall under Article 29-4, paragraph (1), item (ii), sub-item (h) of the Act, the date when removal or dismissal has been ordered and the reasons for that;
- (iv) if the case falls under item (i), sub-item (b), item (ii), sub-item (b), or item (ix), sub-item (b) of the preceding Article: the following matters:
- (a) the name of the officer or important employee that has come to fall under Article 199, item (ii), sub-item (a) or (b);
  - (b) if the officer or important employee has come to fall under Article 199, item (ii), sub-item (a), the date when they came to fall under the provisions and the reasons for that;
  - (c) if the officer or important employee has come to fall under Article 29-4, paragraph (1), item (ii), sub-item (b) of the Act, the date when they became subject to the order for the commencement of bankruptcy proceedings;
  - (d) if the officer or important employee has come to fall under Article 29-4, paragraph (1), item (ii), sub-item (c) or (i) of the Act, the date when the punishment became final and binding, and the type of punishment;
  - (e) if the officer or important employee has come to fall under Article 29-4, paragraph (1), item (ii), sub-item (d) or (e) of the Act, the date of and the reasons for the revocation being made or the order being given;
  - (f) if the officer or important employee has come to fall under Article 29-4, paragraph (1), item (ii), sub-item (f) or (g) of the Act, the date of and the reasons for the notice under the provisions of Article 15 of the Administrative Procedure Act to be given and the date of and the reasons for giving the notification under the provisions of Article 50-2, paragraph

- (1), Article 60-7, Article 63-2, paragraphs (2) through (4), Article 63-10, paragraphs (2) through (4), Article 66-19, paragraph (1), Article 66-40, paragraph (1), or Article 66-61, paragraph (1) of the Act, or Article 16, paragraph (3) of the Act on the Provision of Financial Services; and
- (g) if the officer or important employee has come to fall under Article 29-4, paragraph (1), item (ii), (h) of the Act, the date when the dismissal or removal was ordered and the reasons for the dismissal or removal;
- (v) if the case falls under item (i), sub-item (c), item (iii), or item (ix), sub-item (c) or (e) of the preceding Article: the following matters:
  - (a) the content and the reasons for the change; and
  - (b) the date of the change;
- (vi) if the case falls under item (i), sub-item (d), or item (ix), sub-item (d) of the preceding Article: the matters set forth in the following sub-items (a) and (b) in accordance with the category of the cases set forth in the sub-items (a) and (b):
  - (a) if the notifier becomes aware of the fact that any of the major shareholders has come to fall under Article 199, item (xi), sub-item (c), 1. or 2., the following matters:
    1. the name of the major shareholder that has come to fall under the provisions;
    2. if the major shareholder has come to fall under Article 199, item (xi), sub-item (c), 1., the date when they came to fall under the provisions and the reasons for that;
    3. if the major shareholder or an agent (meaning the agent prescribed in Article 199, item (xi), sub-item (c), 1.; the same applies in sub-item (a), and paragraph (1), item (iv), sub-item (a) of the following Article) has come to fall under Article 29-4, paragraph (1), item (ii), sub-item (b) of the Act, the date when the major shareholder or the agent became subject to the order for commencement of bankruptcy proceedings;
    4. if the major shareholder or an agent has come to fall under Article 29-4, paragraph (1), item (ii), sub-item (c) or (i) of the Act, the date when the punishment became final and binding, and the type of punishment;
    5. if the major shareholder or an agent has come to fall under Article 29-4, paragraph (1), item (ii), sub-item (d) or (e) of the Act, the date when the revocation has been made or has been ordered and the reasons for that;
    6. if the major shareholder or an agent has come to fall under Article 29-4, paragraph (1), item (ii), sub-item (f) or (g) of the Act, the date of and the reasons for the notice under the provisions of Article 15 of the Administrative Procedure Act to be given and the date of and the reasons for giving the notification under the provisions of Article 50-2,

- paragraph (1), Article 60-7, Article 63-2, paragraphs (2) through (4), Article 63-10, paragraphs (2) through (4), Article 66-19, paragraph (1), Article 66-40, paragraph (1), or Article 66-61, paragraph (1) of the Act, or Article 16, paragraph (3) of the Act on the Provision of Financial Services; and
7. if the major shareholder or an agent has come to fall under Article 29-4, paragraph (1), item (ii), sub-item (h) of the Act, the date when removal or dismissal has been ordered and the reasons for that;
- (b) if the notifier becomes aware of the fact that any of its major shareholders has come to fall under Article 199, item (xi), sub-item (c), 3. or 4.: the following matters:
1. the trade name or name of the major shareholder that has come to fall under the provisions;
  2. if the major shareholder falls under Article 29-4, paragraph (1), item (i), sub-item (a) of the Act, the content and date of the registration, etc. obtained by the major shareholder, and the date of and the reasons for the revocation of the registration, etc., and the content of the business for which the registration, etc. was revoked, or the content and date of the notification under the provisions of Article 63, paragraph (2), Article 63-3, paragraph (1), Article 63-9, paragraph (1), or Article 63-11, paragraph (1) of the Act given by the major shareholder, and the date of and the reasons for the order of discontinuation of business for which the notification was made and the content of the business for which the discontinuation has been ordered;
  3. if the major shareholder falls under Article 29-4, paragraph (1), item (i), sub-item (b) of the Act, the date of and the reasons for the notice under the provisions of Article 15 of the Administrative Procedure Act to be given and the date of and the reasons for giving the notification under the provisions of Article 50-2, paragraph (1), Article 60-7, Article 63-2, paragraph (2) or (3), Article 63-10, paragraph (2) or (3), Article 66-19, paragraph (1), Article 66-40, paragraph (1), or Article 66-61, paragraph (1) of the Act, or Article 16, paragraph (3) of the Act on the Provision of Financial Services;
  4. if the major shareholder falls under Article 29-4, paragraph (1), item (i), sub-item (c) of the Act, the provisions of the laws and regulations that was violated, the date when the punishment became final and binding, and the amount of the fine;
  5. if the major shareholder has come to fall under Article 199, item (xi), sub-item (c), 4., the name of the officer representing the corporation who has come to fall under sub-item (c), 4, i. or ii. of that item;
  6. if the officer representing the corporation that is the major shareholder

- has come to fall under Article 199, item (xi), sub-item (c), 4., i., the date when they came to fall under the provisions and the reasons for that;
7. if the officer representing the corporation that is the major shareholder has come to fall under Article 29-4, paragraph (1), item (ii), sub-item (b) of the Act, the date when the officer became subject to an order for commencement of bankruptcy proceedings;
  8. if the officer representing the corporation that is the major shareholder has come to fall under Article 29-4, paragraph (1), item (ii), sub-item (c) or (i) of the Act, the date when the punishment became final and binding, and the type of punishment;
  9. if the officer representing the corporation that is the major shareholder has come to fall under Article 29-4, paragraph (1), item (ii), sub-item (d) or (e) of the Act, the date the revocation was made or was ordered and the reasons for that;
  10. if the officer representing the corporation that is the major shareholder has come to fall under Article 29-4, paragraph (1), item (ii), sub-item (f) or (g) of the Act, the date of and the reasons for the notice under the provisions of Article 15 of the Administrative Procedure Act to be given and the date of and the reasons for giving the notification under the provisions of Article 50-2, paragraph (1), Article 60-7, Article 63-2, paragraphs (2) through (4), Article 63-10, paragraphs (2) through (4), Article 66-19, paragraph (1), Article 66-40, paragraph (1), or Article 66-61, paragraph (1) of the Act, or Article 16, paragraph (3) of the Act on the Provision of Financial Services; and
  11. if the officer representing the corporation taht is the major shareholder has come to fall under Article 29-4, paragraph (1), item (ii), sub-item (h) of the Act, the date when the removal or dismissal was ordered, and the reasons for that;
- (vii) if the case falls under item (iv), or item (ix), sub-item (f) of the preceding Article; the following matters:
- (a) the name of the business office or office in which the problematic conduct, etc. (if falling under item (ix), sub-item (f) of the preceding Article, the problematic conduct, etc. of the parent company; hereinafter the same applies in this item) has occurred;
  - (b) the name and the title of the officer or employee that has caused the problematic conduct, etc.; and
  - (c) an outline of the problematic conduct, etc.;
- (viii) if the case falls under item (v), or item (ix), sub-item (g) of the preceding Article; the following matters:
- (a) the name of the business office or office in which the problematic conduct,



- etc. (if falling under item (ix), sub-item (g) of the preceding Article, the problematic conduct, etc. of the parent company; hereinafter the same applies in this item) has occurred;
  - (b) the name and title of the officer or employee that has caused the problematic conduct, etc.; and
  - (c) the details of the problematic conduct, etc.; and
  - (d) if in-house punishment has been taken, its content;
  - (ix) if the case falls under item (vi), or item (ix), sub-item (h) of the preceding Article: the matters specified in the following sub-items (a) and (b) in accordance with the category of the cases set forth in each of the sub-items (a) and (b):
    - (a) in the case of becoming a party to an action or a conciliation, the following matters:
      1. the name and domicile of the party to the action or conciliation;
      2. the date when the action or conciliation has been filed;
      3. the name of the court with jurisdiction; and
      4. the content of the case;
    - (b) if the action or the conciliation has been concluded, the following matters:
      1. the name and domicile of the party to the action or conciliation;
      2. the date when the action or the conciliation has been concluded; and
      3. the content of the judgment or settlement;
  - (x) if the case falls under item (vii), or item (ix), sub-item (i) of the preceding Article: the following matters:
    - (a) the content of the adverse disposition; and
    - (b) the date when becoming subject to the adverse disposition and the reasons for that; and
  - (xi) if the case falls under item (viii), or item (ix), sub-item (j) of the preceding Article: the date when it has come to fall under the provisions and the reasons for that.
- (2) The written notification under the preceding paragraph may be written in English.

(Documents Required to Be Attached to Written Notification for  
Discontinuation of Business by Notifiers of Specially Permitted Services for  
the Transitional Period)

Article 52 (1) A notifier of specially permitted services for the transitional period that makes a notification pursuant to the provisions of Article 63-10, paragraph (3) of the Act that is applied pursuant to the provisions of Article 3-3, paragraph (4) of the Supplementary Provisions of the Act (including as applied *mutatis mutandis* pursuant to paragraph (7) of that Article) must attach the document specified in the following items to the written notification

stating the matters prescribed in paragraph (1) of the preceding Article, if the case falls under any of the category of the cases set forth in each of the following items:

- (i) if the case falls under Article 50, item (i), sub-item (a), item (ii), sub-item (a), or item (ix), sub-item (a) of the Supplementary Provisions: the documents set forth in the following sub-items (a) through (c) in accordance with the category of the cases set forth in each of those sub-items (a) through (c):
  - (a) in the case of having come to fall under Article 29-4, paragraph (1), item (i), sub-item (a) of the Act (limited to the part related to the provisions of the laws and regulations of a foreign state equivalent to the Act or the Act on the Provision of Financial Services), the following documents:
    - 1. a copy of the written order for revocation or discontinuation of business, or alternative documents; and
    - 2. a copy of the laws and regulations of the foreign country and their Japanese translation;
  - (b) in the case of having come to fall under Article 29-4, paragraph (1), item (i), sub-item (c) of the Act, a copy of the judgment document on the final and binding judgment, or a document stating the content of the final and binding judgment;
  - (c) if a notifier of specially permitted services for the transitional period who is an individual has come to fall under Article 29-4, paragraph (1), item (ii), sub-items (b) through (e) or sub-item (i) of the Act (excluding the part related to the provisions of the laws which are specified in item (i), sub-item (c) of that paragraph; the same applies in 2.), the following documents:
    - 1. if the notifier of specially permitted services for the transitional period has come to fall under Article 29-4, paragraph (1), item (ii), sub-item (b) of the Act, a copy of the written judgment on an order for commencement of bankruptcy proceedings, or the document stating the content of the order for commencement of bankruptcy proceedings;
    - 2. if the notifier of specially permitted services for the transitional period has come to fall under Article 29-4, paragraph (1), item (ii), sub-item (c) or (i) of the Act, a copy of the judgment document on the final and binding judgment, or a document stating the content of the final and binding judgment; and
    - 3. if the notifier of specially permitted services for the transitional period has come to fall under Article 29-4, paragraph (1), item (ii), sub-item (d) or (e) of the Act, and a revocation was made or an order was given in a foreign country, a copy of the written order for revocation or discontinuation of business or alternative documents, and a copy of foreign laws and regulations that serves as the basis of the revocation

- or discontinuation of business and their Japanese translation;
- (ii) if the case falls under Article 50, item (i), sub-item (b), item (ii), sub-item (b), or item (ix), sub-item (b) of the Supplementary Provisions (limited to the parts related to Article 199, item (ii), sub-item (b) among those provisions): the following documents:
    - (a) if an officer or important employee has come to fall under Article 29-4, paragraph (1), item (ii), sub-item (b) of the Act, a copy of the written judgment on an order for commencement of bankruptcy proceedings, or the document stating the content of an order for commencement of bankruptcy proceedings;
    - (b) if an officer or important employee has come to fall under Article 29-4, paragraph (1), item (ii), sub-item (c) or (i) of the Act, a copy of the judgment document on the final and binding judgment, or a document stating the content of the final and binding judgment; and
    - (c) if an officer or important employee has come to fall under Article 29-4, paragraph (1), item (ii), sub-item (d) or (e) of the Act, and if a revocation was made or order was given in a foreign country, a copy of the foreign laws and regulations that serves as the basis of the revocation or discontinuation of business and their Japanese translation;
  - (iii) if the case falls under Article 50, item (i), sub-item (c), or item (ix), sub-item (c) of the Supplementary Provisions: the amended articles of incorporation (including an equivalent document);
  - (iv) if the case falls under Article 50, item (i), sub-item (d), or item (ix), sub-item (d) of the Supplementary Provisions: the documents set forth in the following sub-items (a) and (b) in accordance with the category of the cases set forth in the sub-items (a) and (b):
    - (a) if the notifier becomes aware of the fact that a major shareholders has come to fall under Article 199, item (xi), sub-item (c), 1. or 2., the following documents:
      - 1. if the major shareholder or an agent has come to fall under Article 29-4, paragraph (1), item (ii), sub-item (b) of the Act, a copy of the written judgment on an order for commencement of bankruptcy proceedings, or the document stating the content of an order for commencement of bankruptcy proceedings;
      - 2. if the major shareholder or an agent has come to fall under Article 29-4, paragraph (1), item (ii), sub-item (c) or (i) of the Act, a copy of the judgment document on the final and binding judgment, or a document stating the content of the final and binding judgment;
      - 3. if the major shareholder or an agent has been punished in a foreign country, a copy of foreign laws and regulations that has served as the basis of the punishment and their Japanese translation; and

4. if the major shareholder or an agent has the registration, etc. revoked or has been ordered to discontinue business in a foreign country, a copy of the laws and regulations of the foreign country which serves as the basis of the revocation of registration, etc. or discontinuation of business and their Japanese translation;
- (b) if the notifier becomes aware of the fact that any of the major shareholders has come to fall under Article 199, item (xi), sub-item (c), 3. or 4., ii.: the following documents:
  1. if the major shareholder has come to fall under Article 29-4, paragraph (1), item (i), sub-item (a) of the Act, a copy of the document ordering revocation or discontinuation of business, or alternative documents;
  2. if the major shareholder falls under Article 29-4, paragraph (1), item (i), sub-item (a) of the Act or the officer representing the corporation that is a major shareholder falls under item (ii), sub-item (d) or (e) of that paragraph, and a registration, etc. has been revoked or discontinuation of business has been ordered in a foreign country, a copy of foreign laws and regulations that have served as the basis of the revocation or discontinuation of business and their Japanese translation;
  3. if the major shareholder has come to fall under Article 29-4, paragraph (1), item (i), sub-item (c) of the Act or the officer representing the corporation that is a major shareholder has come to fall under item (ii), sub-item (c) or (i) of that paragraph, a copy of the judgment document on the final and binding judgment, or a document stating the content of the final and binding judgment; and
  4. if an officer representing the corporation that is a major shareholder has come to fall under Article 29-4, paragraph (1), item (ii), sub-item (b) of the Act, a copy of the written judgment on the order for commencement of bankruptcy proceedings, or the document stating the content of the order for commencement of bankruptcy proceedings;
- (v) if the case falls under Article 50, item (iii), or item (ix), sub-item (e) of the Supplementary Provisions: the document set forth in Article 44, paragraph (1), item (ii), item (vi) or item (vii), or item (xi), sub-item (b) of the changed Supplementary Provisions;
- (vi) if the case falls under Article 50, item (vii), or item (ix), sub-item (i) of the Supplementary Provisions: a copy of the laws and regulations of a foreign country which provides for the adverse disposition and their Japanese translation; and
- (vii) if the case falls under Article 50, item (viii), or item (ix), sub-item (j) of the Supplementary Provisions: a document stating the prospects of the changes in the percentages prescribed in Article 44, paragraph (1), item (viii) of the Supplementary Provisions.

- (2) The documents specified in the items of the preceding paragraph may be written in English.

(Notification of Dissolution of Notifiers of Specially Permitted Services for the Transitional Period)

Article 53 (1) A person that seeks to give a notification pursuant to the provisions of Article 63-10, paragraph (4) of the Act that is applied pursuant to the provisions of Article 3-3, paragraph (4) of the Supplementary Provisions of the Act (including as applied mutatis mutandis pursuant to paragraph (7) of that Article; hereinafter the same applies in this paragraph) must submit a written notification stating the date of and the reasons for the dissolution to the Commissioner of the Financial Services Agency, if the notifier of specially permitted services for the transitional period related to the notification is a notifier designated by the Commissioner of the Financial Services Agency pursuant to the provisions of Article 42, paragraph (2) of the Order that is applied pursuant to the provisions of Article 3-3, paragraph (4) of the Supplementary Provisions of the Act, or in the case of other notifiers of specially permitted services for the transitional period to the Director-General of a Local Finance Bureau with jurisdiction over the locality of the head office, etc. of the notifier of specially permitted services for the transitional period (if the locality falls within the jurisdictional area of the Fukuoka Local Finance Branch Bureau, to its Director-General).

- (2) The written notification referred to in the preceding paragraph may be written in English.

(Books and Documents Concerning Business)

Article 54 (1) The books and documents required to be prepared by a notifier of specially permitted services for the transitional period pursuant to Article 63-12, paragraph (1) of the Act that is applied pursuant to the provisions of Article 3-3, paragraph (4) of the Supplementary Provisions of the Act (including as applied mutatis mutandis pursuant to paragraph (7) of that Article) are as follows:

- (i) the books and documents set forth in Article 157, paragraph (1), item (i), sub-item (a), 1. through 4. and sub-items (b) through (d), and item (ii), sub-item (a);
- (ii) the books and documents set forth in Article 157, paragraph (1), item (xvii) (excluding sub-item (e)) (including a copy of the documents referred to in Article 134, paragraph (5), item (v), if falling under that item); and
- (iii) in the case of a person performing services related to the acts set forth in Article 3-3, paragraph (5), item (ii) of the Supplementary Provisions of the Act, the books and documents set forth in Article 157, paragraph (1), items

(vii) through (ix).

- (2) The books and documents set forth the items of the preceding paragraph may be written in English.
- (3) The books and documents set forth in paragraph (1), item (i) must be kept for five years from the day of their preparation (for the books and documents set forth in Article 157, paragraph (1), item (ii), sub-item (a), the day when the documents ceased to be effective), the books and documents set forth in paragraph (1), item (ii) (limited to the part related to paragraph (1), item (xvii), sub-item (d) of that Article) must be kept for seven years from the day of their preparation, and the books and documents set forth in paragraph (1), item (ii) (excluding the part related to paragraph (1), item (xvii), sub-item (d) of that Article) and item (iii) must be kept for ten years from the day of their preparation (for the books and documents set forth in Article 157, paragraph (1), item (xvii), sub-item (a), from the day of termination of the services related to the contract or other juridical acts).

#### (Business Reports)

- Article 55 (1) A business report to be submitted by a notifier of specially permitted services for the transitional period pursuant to the provisions of Article 63-12, paragraph (2) of the Act that is applied pursuant to Article 3-3, paragraph (4) of the Supplementary Provisions of the Act (including as applied *mutatis mutandis* pursuant to paragraph (7) of that Article) must be prepared by using the Appended Form No. 33.
- (2) The business report referred to in the preceding paragraph may be prepared in English in the same manner as the Appended Form No. 33.
- (3) When a notifier of specially permitted services for the transitional period (limited to a company) prepares a business report referred to in paragraph (1), it is to comply with business accounting practices generally accepted as fair and appropriate, the designated international accounting standards, or Japan's modified international standards (if the notifier of specially permitted services for the transitional period is a foreign company, including fair and appropriate business accounting practices of the foreign country where its principal business office or office is located).
- (4) When a notifier of specially permitted services for the transitional period (excluding a company) prepares a business report under paragraph (1), it is to comply with accounting practices that are generally accepted as being fair and appropriate.

#### (Procedures for Obtaining Approval on Due Date for Submitting Business Reports)

- Article 56 (1) When a notifier of specially permitted services for the transitional

period which is a foreign corporation seeks to obtain an approval referred to in the proviso to Article 17-13-8 of the Order, they must submit a written application for approval stating the following matters to the Commissioner of the Financial Services Agency or the competent Director-General of a Local Finance Bureau for the notification of specially permitted services for the transitional period:

- (i) the trade name or name;
  - (ii) the date of notification under the provisions of Article 3-3, paragraph (1) of the Supplementary Provisions of the Act;
  - (iii) the period for which the approval is sought in relation to the submission of the business report;
  - (iv) the last day of the business year related to the business report; and
  - (v) the reasons for requiring the approval for the submission of the business report.
- (2) The following documents must be attached to the written application for approval referred to in the preceding paragraph:
- (i) the articles of incorporation, or alternative documents;
  - (ii) a document certifying that the representative of the notifier of specially permitted services for the transitional period that is a foreign corporation, etc. stated in the written application for approval is a person that has legitimate authority to submit the written application for approval; and
  - (iii) a legal opinion letter by a legal expert on the fact that the matters related to the laws and regulations or practices stated in the written application for approval are true and accurate, and a copy of the relevant provisions of the related laws and regulations set forth in the legal opinion letter.
- (3) If the application for approval set forth in paragraph (1) has been filed, and it is found that the notifier of specially permitted services for the transitional period which is a foreign corporation to submit the business report within three months after the end of the business year due to the laws and regulations or practices of their home country, the Commissioner of the Financial Services Agency or the competent Director-General of a Local Finance Bureau for the notification of specially permitted services for the transitional period is to grant approval to the business report related to the business year from the business year that includes the day the application has been filed (if the day falls within three months from the commencement of the business year (if approval has been granted to the submission of the business report related to the immediately preceding business year, within the approved period), the business year immediately preceding that business year) through to the business year immediately preceding the business year that includes the day when the reason specified in item (v) of that paragraph for which the application was filed ceases to exist or changes.

- (4) The approval specified in the preceding paragraph is to be granted on the condition that the notifier of specially permitted services for the transitional period that is a foreign corporation referred to in that paragraph submits documents stating the following matters to the Commissioner of the Financial Services Agency or the competent Director-General of a Local Finance Bureau for specially permitted services for the transitional period within three months after the end of each business year; provided, however, that if the content of the matters set forth in item (ii) is the same as the content of the matters stated in the document submitted within five years before the submission of the document, the entry of those matters may be omitted:
- (i) the fact that the reasons for the application for approval have not ceased to exist or changed in the relevant business year; and
  - (ii) a legal opinion letter by a legal expert on the matters set forth in the preceding item, and a copy of the relevant provisions of the related laws and regulations set forth in the legal opinion letter.
- (5) The written application for approval referred to in paragraph (1), the documents set forth in the items of paragraph (2), and the documents referred to in the preceding paragraph may be written in English.

(Public Inspection of Explanatory Documents)

- Article 57 (1) Pursuant to the provisions of Article 63-12, paragraph (3) of the Act that is applied pursuant to the provisions of Article 3-3, paragraph (4) of the Supplementary Provisions of the Act (including as applied *mutatis mutandis* pursuant to paragraph (7) of that Article; hereinafter the same applies in this paragraph and paragraph (3)), a notifier of specially permitted services for the transitional period must make the explanatory documents referred to in Article 63-12, paragraph (3) of the Act that is applied pursuant to the provisions of Article 3-3, paragraph (4) of the Supplementary Provisions of the Act available for public inspection by the means of keeping the explanatory documents prepared using the Appended Form 34 or the copies of the business report referred to in Article 55, paragraph (1) of the Supplementary Provisions at its principal office or office and all business offices or offices for conducting specially permitted services for the transitional period (for a foreign corporation, the principal business office or office in Japan and all business offices or offices established in Japan for conducting specially permitted services for the transitional period) or other means, or publicize the documents or copies by using the internet or other means to enable easy access for investors at all times.
- (2) The explanatory documents referred to in the preceding paragraph may be prepared in English in the same manner as the Appended Form No. 34.
- (3) The matters specified by Cabinet Office Order as prescribed in Article 63-12,



paragraph (3) of the Act that is applied pursuant to the provisions of Article 3-3, paragraph (4) of the Supplementary Provisions of the Act are the matters stated in the Appended Form No. 34 or a business report referred to in Article 55, paragraph (1) of the Supplementary Provisions.

(Procedures for Obtaining Approval on Due Date for Public Inspection of Explanatory Documents)

Article 58 (1) When a notifier of specially permitted services for the transitional period that is a foreign corporation seeks to obtain an approval referred to in the proviso to Article 17-13-9 of the Order, they must submit a written application for approval stating the following matters to the Commissioner of the Financial Services Agency or the competent Director-General of a Local Finance Bureau for the notification of specially permitted services for the transitional period:

- (i) the trade name or name;
- (ii) the date of notification under the provisions of Article 3-3, paragraph (1) of the Supplementary Provisions of the Act;
- (iii) the period for which the approval is sought in relation to the inspection of the explanatory documents;
- (iv) the last day of the business year related to the explanatory documents; and
- (v) the reasons for requiring the approval for the inspection of the explanatory documents.

(2) The following documents must be attached to the written application for approval specified in the preceding paragraph:

- (i) the articles of incorporation or alternative documents;
- (ii) a document certifying that the representative of the notifier of specially permitted services for the transitional period which is a foreign corporation stated in the written application for approval is a person that has legitimate authority to submit the written application for approval; and
- (iii) a legal opinion letter by a legal expert on the fact that the matters related to the laws and regulations or practices stated in the written application for approval are true and accurate, and a copy of the relevant provisions of the related laws and regulations set forth in the legal opinion letter.

(3) If the application for approval referred to in paragraph (1) has been filed, and it is found that the notifier of specially permitted services for the transitional period which is a foreign corporation is unable to keep the explanatory documents make them available for public inspection within four months after the end of the business year due to the laws and regulations or practices of their home country, the Commissioner of the Financial Services Agency or the competent Director-General of a Local Finance Bureau for the notification of specially permitted services for the transitional period is to grant an approval

to the explanatory documents related to the business year from the business year that includes the day the application has been filed (if the day falls within four months from the commencement of the business year (if approval has been granted to the public inspection of explanatory documents related to the immediately preceding business year, within the approved period), the business year immediately preceding that business year) through the business year immediately preceding the business year that includes the day when the reason specified in item (v) of that paragraph for which the application was filed ceases to exist or changes.

- (4) The approval specified in the preceding paragraph is to be granted on the condition that the notifier of specially permitted services for the transitional period which is a foreign corporation as specified in that paragraph submits documents stating the following matters to the Commissioner of the Financial Services Agency or the competent Director-General of a Local Finance Bureau for the notification of specially permitted services for the transitional period within four months after the end of each business year; provided, however, that if the content of the matters set forth in item (ii) is the same as the content of the matters stated in the document submitted within five years before the submission of the document, the entry of those matters may be omitted:
- (i) the fact that the reasons for the application for approval have not been extinguished or changed in the relevant business year; and
  - (ii) a legal opinion letter by a legal expert on the matters set forth in the preceding item, and a copy of the relevant provisions of the related laws and regulations set forth in the legal opinion letter.
- (5) The written application for approval referred to in paragraph (1), the documents set forth in the items of paragraph (2), and the documents referred to in the preceding paragraph may be written in English.

(Submission Location of Written Notifications)

- Article 59 (1) If a notifier of specially permitted services for the transitional period intends to submit a written notification or other documents prescribed in the Act, the Order, or this Cabinet Office Order to the competent Director-General of a Local Finance Bureau or other competent officials for specially permitted services for the transitional period, and the locality of the head office, etc. of the notifier of specially permitted services for the transitional period falls within the jurisdictional district of a finance branch office, the Otaru Sub-Office, or the Kitami Sub-Office, the notifier of specially permitted services for the transitional period must submit the document and its copy through the head of the finance branch office, the Director of the Otaru Sub-office, or the Director of the Kitami Sub-Office.
- (2) The submission location of the written notification prescribed in Article 49,

paragraph (1) and Article 53, paragraph (1) of the Supplementary Provisions is to be as specified in the preceding paragraph.

(Cases in Which Status of the Operation of Business is Likely to Hinder the Protection of Investors)

- Article 60 (1) The case specified by Cabinet Office Order as prescribed in Article 3-3, paragraph (5), item (i), sub-item (a) of the Supplementary Provisions of the Act is, when the act is for investing money invested or contributed by the person who holds rights indicated on beneficiary certificates of foreign investment trusts or foreign investment securities, or the rights set forth in Article 2, paragraph (2), item (vi) of the Act, or investing other properties, the case in which technical measures have not been taken to prevent the financial values from being transferred to persons other than foreign investors, etc. when the rights related to those securities are indicated on financial values;
- (2) The case specified by Cabinet Office Order as prescribed in Article 3-3, paragraph (5), item (i), sub-item (b), and item (ii), sub-item (b) of the Supplementary Provisions of the Act is, when rights related to the beneficiary certificates are indicated on financial values, the case in which technical measures have not been taken to prevent the financial values from being transferred to persons other than foreign investors, etc.
- (3) The case specified by Cabinet Office Order as prescribed in Article 3-3, paragraph (5), item (i), sub-item (c), and item (ii), sub-item (c) of the Supplementary Provisions of the Act is, when the rights are indicated on financial values, the case in which technical measures have not been taken to prevent the financial values from being transferred to persons other than foreign investors, etc.
- (4) The case specified by Cabinet Office Order as prescribed in Article 3-3, paragraph (5), item (ii), sub-item (a) of the Supplementary Provisions of the Act is, when the rights related to the securities are indicated on financial values, the case in which technical measures have not been taken to prevent the financial values from being transferred to persons other than foreign investors, etc.

(Persons Excluded from Persons Considered to be Foreign Investors)

- Article 61 The persons specified by Cabinet Office Order as prescribed in Article 3-3, paragraph (5), item (i), sub-item (a), 3. of the Supplementary Provisions of the Act are the following persons:
- (i) a special purpose company for which a person other than a foreign investor, etc. (meaning the foreign investor, etc. prescribed in Article 3-3, paragraph (6) of the Supplementary Provisions of the Act; the same applies in the following item) has acquired the rights indicated on the securities set forth

- in Article 2, paragraph (1), item (v), item (ix), or item (xv) of the Act or securities set forth in item (xvii) of that paragraph (limited to those having the nature of the securities set forth in item (v), item (ix), or item (xv) of that paragraph) issued by the specified purpose company, or has acquired the rights set forth in paragraph (2), item (iii) or item (iv) of that Article (excluding the rights for which delivery of property in excess of the amount of consideration for their acquisition is not to be made); and
- (ii) based on a contract related to investment business for the rights set forth in Article 2, paragraph (2), item (v) or (vi) of the Act or other juridical acts (limited to the rights for which the rights based on the contract or other juridical acts fall under the rights set forth in item (v) or (vi) of that paragraph) which has a person other than foreign investors, etc. as the other party, a person that conducts or seeks to conduct the investment business by using the money or other properties invested or contributed by the other party to the contract (excluding a financial instruments business operator, etc. (limited to a person that conducts investment management business)).

(Matters Required to be Specified in Contracts for Transfer)

Article 62 The matters specified by Cabinet Office Order as prescribed in paragraph (9), item (i) of the Supplementary Provisions of the Order are the following matters:

- (i) the person seeking to acquire the securities will not transfer the beneficiary certificates or foreign investment securities that they have acquired in response to the solicitation for offers to acquire (meaning the solicitation for offers to acquire as defined in Article 2, paragraph (3) of the Act; the same applies in the following item and the following Article) to persons other than foreign investors, etc.;
- (ii) if the person seeking to acquire the securities transfers the beneficiary certificates or foreign investment securities that they have acquired in response to the solicitation for offers to acquire, the fact that they should inform the other party that the condition for purchase is to conclude a contract for transfer between a person who makes an offer to sell, etc. (meaning the offer to sell, etc. as defined in Article 2, paragraph (4) of the Act; hereinafter the same applies in item (ii) of the following Article) the beneficiary certificates or foreign investment securities and a person who intends to purchase the beneficiary certificates or foreign investment securities in response to the offer to sell, etc. which provides that the person who intends to purchase will not transfer the beneficiary certificates or foreign investment securities they have purchased to persons other than foreign investors, etc.

Article 63 The matters specified by Cabinet Office Order as prescribed in paragraph (10) of the Supplementary Provisions of the Order are the following matters:

- (i) the fact that the person seeking to acquire the securities will not transfer the beneficiary certificates that they have acquired in response to the solicitation for offers to acquire to persons other than foreign investors, etc.;
- (ii) if the person seeking to acquire the securities transfers the beneficiary certificates that they have acquired in response to the solicitation for offers to acquire, the fact that they should inform the other party that the condition for purchase is to conclude a contract for transfer between a person who makes an offer to sell, etc. of the beneficiary certificates and a person who intends to purchase the beneficiary certificates in response to the offer for sell, etc. which provides that the person who intends to purchase the beneficiary certificates will not transfer the beneficiary certificates they have purchased to persons other than foreign investors, etc.

(Scope of Foreign Investors)

Article 64 (1) The persons specified by Cabinet Office Order as prescribed in paragraph (12), item (iv) of the Supplementary Provisions of the Order are the following persons:

- (i) a subsidiary company, etc. of the foreign investment management business operator (meaning the subsidiary company prescribed in Article 15-16, paragraph (3) of the Order; hereinafter the same applies in this item), or a subsidiary company, etc. of the parent company, etc. of the foreign investment management business operator (meaning the parent company, etc. prescribed in that paragraph);
- (ii) a person that has been entrusted all or part of the authority for investing one investment property conducted by the foreign investment management business operator (meaning money or other properties to be invested by the foreign investment management business operator for the right holder related to the business of performing the acts set forth in the items of Article 3-3, paragraph (5) of the Supplementary Provisions of the Act; the same applies in the following item);
- (iii) a person that has concluded a contract with the foreign investment management business operator promising that the person will provide the foreign investment management business operator with oral advice, written advice (excluding newspapers, magazines, books, or other documents issued for the purpose of selling to many and unspecified persons which are possible for many and unspecified persons to buy at all times) or by other methods, concerning the investment decisions based on the value, etc. of the subject of transactions to be conducted by the foreign investment management business

- operator as an investment of one investment property (hereinafter the subject is referred to as the "transaction asset" in this item; and the value, etc. means the value of the transaction asset, the amount of the consideration for the options, or the trend of indexes related to the transaction asset; hereinafter the same applies in this item) or based on analysis of the value, etc. (meaning decisions on the type, quantity, and price of property that are to be subject of investment, distinction of whether the type of transaction is purchase or sale, the method, and timing, or decisions on the content and timing of the transactions required to be conducted), and the foreign investment management business operator promises to pay remuneration for the advice, or a person that has concluded a contract with the person in question in which the person promises to provide the person with advice concerning investment decisions by those methods, and the person in question promises to pay remuneration for that;
- (iv) an officer or employee of the persons set forth in paragraph (12), item (iii) of the Supplementary Provisions of the Order and the preceding three items; and
- (v) a relative (limited to the spouse and a relative by blood or by affinity within the third degree) of the foreign investment management business operator (limited to an individual) or a relative of a person set forth in paragraph (12), items (i) and (ii) of the Supplementary Provisions of the Order and the preceding three items.
- (2) The persons specified by Cabinet Office Order as prescribed in Article 3-3, paragraph (6), item (iii) of the Supplementary Provisions of the Act are financial instruments business operators, etc. that conduct investment management business.

Appended Table (Re: Article 125-8)

Matters for Publication	Matters Requiring Attention
(i) the date and time when the transaction was closed;	If there has been a sudden drastic increase in the number of malfunctions or maintenance inspections of the electronic data processing system or matters that should be notified, or there are other compelling reasons, disclosure is to be made promptly after the reasons have ceased to exist.

<p>(ii) if the one's own obligations of the party and the other party's obligations under the transaction are to be assumed by a financial instruments clearing organization (in cases where if the financial instruments clearing organization is to conduct a collaborating financial instruments obligation assumption services, including collaborating clearing organizations, etc.) or a foreign financial instruments clearing organization, to that effect;</p> <p>(iii) the date when the transaction takes effect;</p> <p>(iv) the date when the transaction ceases to be in effect;</p> <p>(v) the method of calculation of the number of days;</p> <p>(vi) the type of currency to be used for the settlement;</p> <p>(vii) the type of contract;</p> <p>(viii) the interest rate, etc. for the financial instruments or the type of financial indicator agreed on between one of the parties and the other party;</p> <p>(ix) the amount determined by the parties as a notional principal (excluding the case falling under the following item);</p> <p>(x) if the amount determined by the parties as a notional principal exceeds the amount provided for in the items of Article 125-8, paragraph (2), according to in accordance with the period from the day when the specified over-the-counter transactions of derivatives transaction specified set forth in those items becomes effective and to the day when such the transaction ceases to be in effect, to that effect;</p> <p>(xi) the schedule for cycle of payment; and</p>	
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(xii) the schedule for cycle of calculation.	
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