

# **DETAILED RULES RELATED TO THE RULES CONCERNING INTERNAL ADMINISTRATORS, ETC. OF ASSOCIATION MEMBERS**

**(March 18, 1992)**

## **(Purpose)**

**Article 1** The Detailed Rules Related to the Rules Concerning Internal Administrators, Etc. of Association Members shall prescribe the matters deemed necessary with respect to the enforcement of the Rules Concerning Internal Administrators, Etc. of Association Members (hereinafter referred to as the “Rules”).

## **(Exceptional Cases for Qualifications of Internal Administration Supervisor)**

**Article 2** Persons who are to be prescribed in the Detailed Rules pursuant to the proviso of Article 3, Paragraph 1 of the Rules shall be as follows:

- (1) A non-representative director (if there is a director with a managerial position (such as executive vice president, senior managing director, and managing director; the same shall apply hereinafter) and a director without a managerial position, the director with a managerial position shall be appointed with priority only in the case where there is no registered representative director who is responsible for the internal administration).
  - (2) A person who is responsible for the internal administration and also can know the details of discussions at the board of directors meeting or other organization about the management decision-making and business execution (limited to the case that there is no director who is responsible for internal administration).
2. The provisions of the preceding Paragraph shall apply *mutatis mutandis* to the appointment of the Internal Administration Supervisor of a Company with Nominating Committee, etc. by reading “director” as “executive officer,” “representative director” as “representative executive officer,” “director with a managerial position” as “executive officer with a managerial position,” and “board of directors” as “board of executive directors”.
  3. The person who is prescribed in the Detailed Rules pursuant to the proviso of Article 3, Paragraph 2 of the Rules shall be the one who is responsible for the internal administration of all operations in the Specified Business (limited to the case that an officer who is responsible for the internal administration of Specified Business cannot be appointed);
  4. The person who is prescribed in the Detailed Rules in the proviso of Article 3, Paragraph 3 of the Rules shall be the one who is responsible for the internal administration of the Registered Financial Institution Business (limited to the case that an officer who is responsible for the internal administration of the Registered Financial Institution Business cannot be appointed).

## **(Scope of Internal Administration Department, Etc.)**

**Article 3** The internal administration department prescribed in Article 6, Paragraph 1 and Article 7, Paragraph 1 of the Rules shall be the division, office, or section in charge of functions of compliance, audit (inspection), sales examination, and trading examination (the division, office, or the section in charge of compliance, audit (inspection), sales examination, and trading examination established in a

business office having the organizational structure corresponding to the head office).

**(Scope of Sales Unit)**

**Article 4** The sales unit prescribed in Article 10, Paragraph 1 and Article 13, Paragraph 1 of the Rules shall be a unit that conducts business in a uniformed manner as an internal organization such as sales divisions and offices prescribed in each of the following Items for the respective categories set forth therein:

(1) Regular Members

- (a) Independent sales departments, such as sales division, corporate customer division, international division, business office or office, etc.
- (b) Product departments, such as equity division and bond division, etc.
- (c) When the headquarters system is adopted, the division or the office prescribed in (a) and (b) above belonging to the sales or product department.
- (d) The department prescribed in (a), (b) or (c) above at a business office or office having the organizational structure corresponding to the head office.

(2) Specified Business Members

- (a) Independent division, office, section, business office, or office that conducts the Specified Business;
- (b) When the headquarters system is adopted, a division or an office prescribed in (a) above belonging to the sales or product headquarters;
- (c) The department prescribed in (a) or (b) above at a business office or office that has an organizational structure corresponding to the head office.

(3) Special Members

- (a) A division, office, section, business office, or office that controls the sale of public bonds over the counter (the business set forth in Article 2, Paragraph 8, Items 1 through 3 and 9 of the FIEA related to public bonds. However, regarding the business that takes actions related to public bonds set forth in the same Paragraph, Item 1, it shall be limited to sale or purchase in connection with issuance of public bonds by public auction (including the pre-issued trading of government bond prescribed in Article 100, Paragraph 3 of the Cabinet Office Ordinance on Financial Instruments Business, etc.) and purchase by a Special Member from a purchaser of a public bond that was bought by the purchaser from a Special Member in the offering or secondary offering by the Special Member and held continuously by the purchaser) and the business relating to the Specified OTC Derivatives Transactions, etc. (limited to the case that a centralized management is conducted for structuring and execution).
- (b) Independent division, office, section, business office, or office that conducts the sales of investment trusts over the counter (the business that takes actions set forth in Article 2, Paragraph 8, Items 1 to 3 and 9 of the FIEA related to investment trusts. However, regarding the business that takes actions related to investment trusts set forth in the same Paragraph, Item 1, it shall be limited to purchase by a Special Member from a purchaser of an investment trust that was bought by the purchaser from the Special Member in the

offering by the Special Member and held continuously by the purchaser) or the actions set forth in Article 33, Paragraph 2, Item 3 (c) or the same Paragraph, Item 4 (b) (excluding those regarded as securities pursuant to the provision of Article 2, Paragraph 2 of the FIEA and related to the rights set forth in each Item of the same Paragraph) (hereinafter referred to as “Financial Instruments Intermediary Service by Registered Financial Institution”). However, if a Special Member delegates the authorization related to such business to a head of a section that is in charge of the Registered Financial Institution Business in the division, office, section, business office, or office as substitute for a head of the division, office, section, business office, or office, such section may be regarded as a sales unit.

- (c) The division, office, section, business office or office that conducts Registered Financial Institution Business not prescribed in (a) and (b) above (other division, office, etc. in cases where explanation of goods, etc. acceptance of order, agreement, management, etc. of Registered Financial Institution Business are mainly conducted by officers and employees of other departments, offices, etc.).
- (d) When the headquarters system is adopted, the division, office or section prescribed in (b) or (c) above that belongs to the sales or product department.
- (e) The department prescribed in (b), (c) or (d) above at a business office or office having the organizational structure corresponding to the head office.

#### **(Exceptional Cases for the Posting of Sales Manager of Special Members)**

**Article 5** In cases where a person whom a Special Member intends to appoint as Sales Manager (excluding the Sales Manager of a sales unit that conducts the Financial Instruments Intermediary Service by Registered Financial Institution) does not fulfill the qualification prescribed in the provision of Article 11, Paragraph 4 of the Rules, a Special Member, if notifying the Association in advance, may appoint as Sales Manager a person in a managerial position of the sales unit in which such person is to be a Sales Manager (limited to a person who has the qualification prescribed in the same Paragraph) for a period limited to six (6) months from the date of scheduled appointment.

- 2. In cases where a person whom a Special Member intends to appoint as Sales Manager pursuant to the preceding Paragraph fulfills the requirements prescribed in Article 11, Paragraph 4 of the Rules, a Special Member may appoint such person as Sales Manager, and shall submit a report notifying such fulfillment of the qualification to the Association in a pre-defined form without delay.

#### **(Exceptional Cases for the Posting of Internal Administrator)**

**Article 6** Person prescribed in the Detailed Rules pursuant to Article 13, Paragraph 2 of the Rules shall be as follows:

- (1) In cases where the internal administration in the internal administration department that is independent and responsible for a specific sales unit is properly conducted, a person who belongs to such internal administration department and also fulfills the qualification requirements in Article 14 of the Rules (or, in the case of internal administrator of Specified OTC Derivatives Transactions, etc. a person who fulfills the special requirements prescribed in Article 14-2 of the Rules).
- (2) In cases where it is inevitable given the number of employees and the composition of managers in an Association Member, a person who is internal administration assistant supervisor or the one who is not a manager of internal administration but whom the Association recognizes to have the experience and knowledge equivalent to those held by the manager of internal administration and who also fulfills the qualification requirements prescribed in Article 14 of the Rules (or who

fulfills all the special requirements in Article 14-2 of the Rules in the case of internal administrator for the Specified OTC Derivatives Transactions, etc.)

2. When an Association Member approves that each business can be properly conducted, the Association Member may appoint a manager prescribed in Article 13, Paragraph 1 of the Rules and a person prescribed in each Item of the preceding Paragraph as internal administrator of several sales units.

**SUPPLEMENTARY PROVISIONS [Omitted]**

(Note) These Detailed Rules are based on the version in effect as of January 1, 2016.

<p>This translation is solely for the convenience of those interested therein, and accordingly all questions that may arise with regard to the meaning of the words or expressions herein shall be dealt with in accordance with the original Japanese text.</p>
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