

RULES CONCERNING FINANCIAL INSTRUMENTS INTERMEDIARY SERVICE PROVIDERS

(March 17, 2004)

CHAPTER I GENERAL PROVISIONS

(Purpose)

Article 1 The purpose of the Rules Concerning Financial Instruments Intermediary Service Providers (hereinafter referred to as the “Rules”) is, in connection with the entrustment of business relating to the Financial Instruments Intermediary Service of the Association Members, to prescribe matters, etc. that should be complied with by the Financial Instruments Intermediary Service Providers, and to ensure proper business operation by such Financial Instruments Intermediary Service Providers through the instruction and supervision by Association Members, thereby contributing to the protection of investors.

(Definitions)

Article 2 In these Rules, the definitions of the terms set forth in each of the following Items shall be prescribed therein:

- (1) Acts of Financial Instruments Intermediation: Acts set forth from Article 2, Paragraph 11, Items 1 through 3 of the Financial Instruments and Exchange Act (hereinafter referred to as the “FIEA”) (as for the acts set forth in Item 2 of the same Paragraph, excluding those related to the transactions set forth in each Item of Article 16-4, Paragraph 2 of the Financial Instruments and Exchange Act Enforcement Order (hereinafter referred to as “FIEA Enforcement Order”));
- (2) Financial Instruments Intermediary Service: Businesses relating to the acts set forth in the preceding Item;
- (3) Financial Instruments Intermediary Service Provider: Financial Instruments Intermediary Service Provider prescribed in Article 3, Item 9 of the Articles of Association;
- (4) Officer: An officer of a Financial Instruments Intermediary Service Provider that is a corporation, who is in charge of the Financial Instruments Intermediary Service (excluding those defined in Article 5);
- (5) Employee: An employee or worker of a Financial Instruments Intermediary Service Provider, who is engaged in the Financial Instruments Intermediary Service in a domestic sales office or a business office of the Financial Instruments Intermediary Service Provider;
- (6) Sales Representative: An officer or employee of a Financial Instruments Intermediary Service Provider who is registered as Sales Representative of the Financial Instruments Intermediary Service Provider pursuant to Article 64, Paragraph 1 of the FIEA that applies *mutatis mutandis* to Article 66-25 of the FIEA (excluding those defined in Article 5);
- (7) Business of Sales Representative: Acts set forth in each Item of Article 64, Paragraph 1 of the FIEA that applies *mutatis mutandis* to Article 66-25 of the FIEA;
- (8) Over-the-Counter Securities: Over-the-counter securities prescribed in Article 2, Item 1 of the “Rules Concerning Over-The-Counter Securities” (hereinafter referred to as “OTC Securities

Rules”);

- (9) Foreign Securities: Foreign securities prescribed in Article 2, Paragraph 1, Item 1 of the “Rules Concerning Foreign Securities Transactions” (hereinafter referred to as “Foreign Securities Rules”);
- (10) Domestic CPs: Domestic CPs prescribed in Article 3, Item 1 of the “Rules Concerning Solicitation, Etc. of Sale and Purchase, Etc. of Domestic CPs, Etc. and Private Placement Corporate Bonds” (hereinafter referred to as the “Domestic CPs and Private Placement Corporate Bonds Solicitation Rules”);
- (11) Short-term Corporate Bonds, etc.: Short-term corporate bonds prescribed in Article 3, Item 2 of the Domestic CPs and Private Corporate Bonds Solicitation Rules excluding short-term bonds prescribed in Article 54-4, Paragraph 1 of the Shinkin Bank Act and short-term Norinchukin Bank bonds prescribed in Article 62-2, Paragraph 1 of the Norinchukin Act;
- (12) Domestic CPs, etc.: Domestic CPs and Short Term Corporate Bonds, etc.;
- (13) Private Placement: Private placement prescribed in Article 3, Item 4 of the Domestic CPs and Private Placement Corporate Bonds Solicitation Rules;
- (14) Private Placement Corporate Bonds: Private placement corporate bonds prescribed in Article 3, Item 5 of the Domestic CPs and Private Placement Corporate Bonds Solicitation Rules;
- (15) Sale and Purchase or Other Transactions of Securities, etc.: Sale and Purchase or Other Transactions of Securities, etc. prescribed in Article 3, Item 8 of the Articles of Association.

(Thorough Compliance with Laws, Etc. by Financial Instruments Intermediary Service Provider)

Article 3 An Association Member must ensure that a Financial Instruments Intermediary Service Provider thoroughly understands and complies with the FIEA and other applicable laws and regulations, the Articles of Associations, and other rules of the Association (hereinafter referred to as “Laws, etc.”).

2. In case where an Association Member becomes aware that a Financial Instruments Intermediary Service Provider has taken an action that breaches the Laws, etc., the Association Member must request the Financial Instruments Intermediary Service Provider to correct such breach.

(Measures against a Sales Representative who took an Action that Breached the Laws, Etc.)

Article 3-2 When an Association Member finds that a person who belongs to a Financial Instruments Intermediary Service Provider and intends to be registered as a Sales Representative, or a Financial Instruments Intermediary Service Provider which is an individual (hereinafter referred to as “Individual Financial Instruments Intermediary Service Provider”) is subject to Article 23 of the Rules, Article 13 of the “Rules Concerning Qualification and Registration, Etc. of Sales Representatives of Association Members (hereinafter referred to as the Sales Representative Rules”),” or Article 8, Paragraph 4 of the “Rules Concerning Internal Administrators, Etc. of Association Members (hereinafter referred to as the “Internal Administrator Rules”),” or is a person who has received a decision to be regarded as a Class-2 perpetrator of an inappropriate act pursuant to Article 12, Paragraph 1 of the “Rules Concerning Employees of Association Members (hereinafter referred to as the “Employee Rules”),” the Association Member shall have such person receive a training course, etc. regarding prevention of breach of laws and regulations and protection of investors, or have such person participate in its own training courses, etc.

(Conclusion of Business Entrustment Agreement on Financial Instruments Intermediary Service)

Article 4 In case where an Association Member concludes a business entrustment agreement on the Financial Instruments Intermediary Service, the following matters must be provided in the business entrustment agreement:

- (1) A Financial Instruments Intermediary Service Provider or its Officers or Employees must comply with the FIEA and other applicable laws and regulations;
- (2) An Association Member shall instruct and supervise a Financial Instruments Intermediary Service Provider to comply with the Articles of Associations and other rules of the Association, and the Financial Instruments Intermediary Service Provider must comply with the instructions from the Association Member;
- (3) In case where the Association took a disciplinary action against an Association Member with respect to an Individual Financial Instruments Intermediary Service Provider or a Sales Representative of the Financial Instruments Intermediary Service Provider, or an action prohibiting business of Sales Representative prescribed in Article 29, Paragraph 1 (hereinafter referred to as the Action Prohibiting Business of Sales Representative”), such Individual Financial Instruments Intermediary Service Provider or the Sales Representative must obey such disciplinary action or action;
- (4) In case where the Association requests a Financial Instruments Intermediary Service Provider to participate in an interview or submit materials, the Financial Instruments Intermediary Service Provider must comply with such request; and
- (5) An Association Member may inspect a Financial Instruments Intermediary Service Provider, and the Financial Instruments Intermediary Service Provider must undergo such inspection.

(Prohibition of Dual Status as Financial Instruments Intermediary Service Provider and as Sales Representative of Association Member)

Article 5 An Association Member must not have the entity conduct the Financial Instruments Intermediary Service to which its own Sales Representative or Sales Representative of other Association Members belongs.

2. In case where an Association Member entrusts the Financial Instruments Intermediary Service to the entity to which its own Sales Representative or a Sales Representative of another Association Members belongs, the Association Member must clearly provide in the relevant agreement that the registration of such Sales Representative must be cancelled before the completion of registration as a Financial Instruments Intermediary Service Provider, and that the business entrustment cannot commence until the registration of such Sales Representative is cancelled.
3. An Association Member must not make an officer or employee of a Financial Instruments Intermediary Service Provider registered as its own Sales Representative.

CHAPTER II INVESTMENT SOLICITATION AND CUSTOMER MANAGEMENT

(Thorough Dissemination, Etc. of Basic Principles of Investment Solicitation)

Article 6 An Association Member must thoroughly disseminate the following matters and ensure that a Financial Instruments Intermediary Service Provider complies with them:

- (1) A Financial Instruments Intermediary Service Provider shall give the first priority to the confidence of customers, comply with the Laws, etc. and conduct its business on a first-for-investor basis;
 - (2) A Financial Instruments Intermediary Service Provider shall fully understand customer's investment experience, investment purpose, and financial capacity, etc., and endeavor to conduct investment solicitation to the customer that can meet his/her intent and actual condition;
 - (3) A Financial Instruments Intermediary Service Provider shall provide a full explanation of important matters on the transactions relating to the Financial Instruments Intermediary Service to a customer and endeavor to have the customer fully understand it; and
 - (4) When soliciting investment, a Financial Instruments Intermediary Service Provider shall have a customer understand that the investment should be conducted based on the judgment and responsibility of the customer itself.
2. An Association Member must establish a system under which a Financial Instruments Intermediary Service Provider conducts proper investment solicitation by using a "customer card" that shall be equipped with by the Association Member pursuant to Article 5 of the "Rules Concerning Solicitation for Investments and Management of Customers, Etc. by Association Members" and as prescribed in Articles 5-2 and 5-3 of the same Rules.

(Establishment of Customer Management System, Internal Rules, and Internal Administration, Etc. by Financial Instruments Intermediary Service Provider)

Article 7 An Association Member must thoroughly instruct a Financial Instruments Intermediary Service Provider to establish, maintain, and comply with internal rules and grasp the status of business operation of the Financial Instruments Intermediary Service Provider for the purpose of ensuring proper conduct of transaction with customers through the Financial Instruments Intermediary Service Provider and customer management.

2. An Association Member must ensure that its Internal Administrator prescribed in the Internal Administrator Rules appropriately controls and audits that a Financial Instruments Intermediary Service Provider conducts the business properly and complies with the Laws, etc.

(Prevention of Excessive Solicitation, and Investment Solicitation of Regulated Issues of Shares, Etc.)

Article 8 An Association Member must make a Financial Instruments Intermediary Service Provider avoid recommending to its customers the specific issues of securities or the options relating to the sale and purchase of securities in a uniformed and concentrated manner, which is considered as a provision of subjective and arbitrary information.

2. A Regular Member must make a Financial Instruments Intermediary Service Provider refrain from soliciting issues subject to either of the measures set forth in each of the following Items that are taken by a financial instruments exchange prescribed in Article 2, Paragraph 16 of the FIEA (hereinafter referred to as "Financial Instruments Exchange") or a securities finance company prescribed in Article 2, Paragraph 30 of the FIEA (hereinafter referred to as "Securities Finance Company"):
- (1) Issues whose margin transaction is restricted or prohibited by a Financial Instruments Exchange;
 - (2) Issues whose application for share lending is restricted or prohibited by a Securities Finance Company.
3. A Regular Member must make a Financial Instruments Intermediary Service Provider refrain from

soliciting securities option transactions of issues for which securities option transactions (transactions relating to securities that is set forth in Article 2, Paragraph 21, Item 3 of the FIEA; the same shall apply hereinafter) is restricted or prohibited by a Financial Instruments Exchange.

(Handling of Over-the-Counter Securities)

Article 9 In the case where a Financial Instruments Intermediary Service Provider makes investment solicitation of Sale and Purchase or Other Transactions of Over-the-Counter Securities, the Financial Instruments Intermediary Service Provider shall comply with the OTC Securities Rules.

(Handling of Foreign Securities Transactions)

Article 10 In the case of handling foreign securities, an Association Member must ensure that a Financial Instruments Intermediary Service Provider complies with the handling rules set forth in each of the following Items:

(1) Eligible Securities:

Foreign securities for which the Financial Instruments Intermediary Service Provider can solicit investment to customers (excluding qualified institutional investors; the same shall apply hereinafter in this Item) are limited to those which an Entrusting Association Member (an Association Member who is an Entrusting Financial Instruments Business Operator, etc. (an Entrusting Financial Instruments Business Operator, etc. prescribed in Article 66-2, Paragraph 1, Item 4 of the FIEA: the same shall apply hereinafter): the same shall apply hereinafter) can solicit to its customers;

(2) In the case of sale of foreign securities without solicitation:

In the case where a Financial Instruments Intermediary Service Provider intermediates the sale or purchase or entrustment related to the purchase of the foreign securities other than the foreign securities prescribed in the preceding Item for the customer without solicitation, and an Entrusting Association Member sells such foreign securities, the Financial Instruments Intermediary Service Provider shall conduct a proper management by preparing, organizing, and retaining a record that the order is based on the customer intent excluding the cases that meet those set forth below.

(a) Continuous acquisition through an employee share ownership plan;

(b) Exchange of share certificates following a merger, etc.;

(c) Acquisition of shares of a new company that are allotted as a result of the corporate split;

(d) Acquisition of shares due to the choice of share dividend in the case where dividend can be paid either by cash or shares.

(In the Case of Domestic CP, Etc. and Private Placement Corporate Bonds)

Article 11 In the case where an Association Member handles Domestic CP, etc. and Private Placement Corporate Bonds, it must ensure that a Financial Instruments Intermediary Service Provider complies with the handling rules set forth in each of the following Items:

(1) In the case of solicitation:

(a) In the case where a Financial Instruments Intermediary Service Provider solicits Domestic CP and Short Term Corporate Bonds, etc. to customers, it shall endeavor to explain the information on issuer and securities by delivering the “Explanatory note on issuer, etc.” to the customer upon request;

- (b) In the case where a Financial Instruments Intermediary Service Provider handles the operation regarding Private Placement Corporate Bonds, it shall endeavor to explain the issuer information and securities information by delivering a material prepared by the issuer that describes the issuer information and securities information to the customer or the Association Members upon request; and
- (c) In the case where a Financial Instruments Intermediary Service Provider intermediates the Sales and Purchase, etc. of Private Placement Corporate Bonds (except for those handled under the preceding (b)), and if the issuer of such Private Placement Corporate Bonds promises in its corporate bond summary that the issuer provides a holder of the Private Placement Corporate Bonds and a possible purchaser of the Private Placement Corporate Bonds who is designated by a holder with the issuer information and securities information of such Private Placement Corporate Bonds directly or through the holder upon their request, the Financial Instruments Intermediary Service Provider shall endeavor to provide the customer or the Association Members with such issuer information and securities information by delivering a material that describes the information above (including the information disclosed under the FIEA) upon request.

(2) In the case of sale without solicitation:

In the case where a Financial Instruments Intermediary Service Provider intermediates the sale and purchase or entrustment of customer's purchase of Domestic CPs, etc. or Private Placement Corporate Bonds without soliciting Domestic CPs, etc. or Private Placement Corporate Bonds to the customers, and an Entrusting Association Member sells such Domestic CPs, etc. or Private Placement Corporate Bonds, the Financial Instruments Intermediary Service Provider shall conduct a proper management by preparing, organizing, and retaining a record that the order is based on the customer intent.

(Prevention of Confusion with Deposit, Etc.)

Article 12 In the case a Financial Instruments Intermediary Service Provider handles securities set forth in Article 33, Paragraph 2, Item 1 to 4 of the FIEA (excluding government bond securities, etc. (securities set forth in Article 2, Paragraph 1, Item 1 and 2 of the FIEA and securities set forth in Item 3 and 5 of the same Paragraph (limited to those of which redemption and interest payment are guaranteed by the government); the same shall apply hereinafter) and securities indices only consisting of government bond securities, etc.), a Special Member must make the Financial Instruments Intermediary Service Provider fully explain the matters set forth below to the customer in a proper way such as delivering a document or other means, depending on the type of business and based on knowledge, experience, and property of the customer, for the purpose of preventing the customer from mistaking these securities for a deposit:

- (1) It is not a deposit, etc. (or an insurance contract in the case of an insurance company);
- (2) The above securities are not subject to the payment of insurance benefit prescribed in Article 53 of the Deposit Insurance Act (or a contract covered by the compensation prescribed in Article 270-3, Paragraph 2, Item 1 of the Insurance Business Act in the case of an insurance company);
- (3) The above securities are not covered by the payment to general customers pursuant to the provision of Article 79-56 of the FIEA under the Investor Protection Fund prescribed in Article 79-21 of the FIEA;
- (4) Repayment of principal is not guaranteed; and
- (5) Other matters such as the party of the contract that can be referenced to prevent the confusion with

the deposit, etc.

(Examination of Representation of Advertising, Etc. Prepared by Financial Instruments Intermediary Service Provider)

Article 13 An Association Member must not allow a Financial Instruments Intermediary Service Provider to use the representation of advertising or offer of premiums relating to the Financial Instruments Intermediary Service provided by the Financial Instruments Intermediary Service Provider unless they underwent the examination pursuant to the “Rules Concerning Representation of Advertising, Etc. and Offer of Premiums” (referred to as “Advertising Rules” in the next Paragraph).

2. In the case where the Association determines that the representation of advertising etc. or offer of premiums relating to the Financial Instruments Intermediary Service made by a Financial Instruments Intermediary Service Provider breaches or may breach the provisions of Article 3 or 4 of the Advertising Rules, the Association may request the Association Member to make a report or submit a material.
3. The Association Member must comply with the request for making a report or submitting a material by the Association prescribed in the preceding Paragraph.

(Thorough Dissemination of Contact Point for Complaints to Customers)

Article 14 An Association Member must ensure that a Financial Instruments Intermediary Service Provider thoroughly informs the customers of its contact point that handles complaints and requests in relation to the Financial Instruments Intermediary Service from customers and responds to any dispute about the Financial Instruments Intermediary Service that arises between a customer and the Financial Instruments Intermediary Service Provider.

CHAPTER III INDIVIDUAL FINANCIAL INSTRUMENTS INTERMEDIARY SERVICE PROVIDER AND SALES REPRESENTATIVES, ETC.

(Reference to the Association)

Article 15 An Association Member must refer to the Association using a designated method in order to confirm whether a person (limited to individuals) with whom the Association Member intends to conclude a business entrustment agreement relating to the Financial Instruments Intermediary Service or who belongs to the Financial Instruments Intermediary Service Provider and intends to be registered as a Sales Representative (hereinafter referred to as the “Referred Person” in this Article) is treated as the Class-1 Perpetrator of an Inappropriate Act prescribed in Article 12, Paragraph 1 of the “Rules Concerning Employees of Association Members” (hereinafter referred to as the “Employees Rules”).

2. An Association Member must refer to the Association using a designated method in order to confirm that the Referred Person has not been treated as the Class-2 Perpetrator of an Inappropriate Act prescribed in Article 12, Paragraph 1 of the Employees Rules and has not received any disciplinary action in the latest five years.
3. When the Association receives a request for reference under the provision of Paragraph 1, it shall reply to the Association Member which made such reference using a designated method whether or not the Referred Person is treated as the Class-1 Perpetrator of an Inappropriate Act and a summary thereof without delay.
4. When the Association receives a request for reference under the provision of Paragraph 2, it shall reply to the Association Member which made such reference using a designated method whether or not the

decision of any treatment and disciplinary action set forth in each Item below have been applied to the Referred Person in the past five years from the date of reply and a summary thereof without delay:

- (1) His/her registration of Sales Representative has been revoked or his/her Business of Sales Representative has been suspended pursuant to the Article 64-5, Paragraph 1 of the FIEA (including the cases that applies *mutatis mutandis* to Article 66-25 of the FIEA);
- (2) His/her qualification of Sales Representative has been revoked or suspended pursuant to Article 29, Paragraph 1 or 2;
- (3) He/she is treated as the Class-2 Perpetrator of an Inappropriate Act prescribed in Article 12, Paragraph 1 of the Employees Rules;
- (4) His/her qualification of Sales Representative has been revoked or suspended pursuant to the Article 6, Paragraph 1 or 2 of the “Rules Concerning Qualification and Registration, Etc. of Sales Representatives of Association Members” (hereinafter referred to as “Sales Representative Rules”);
- (5) His/her qualification of Sales Manager or Internal Administrator has been revoked or suspended pursuant to the Article 17, Paragraph 1 or Article 18, Paragraph 1 of the Internal Administrator Rules.

(Prohibition of Conducting the Business of Sales Representative by Unqualified Person)

Article 16 If an Individual Financial Instruments Intermediary Service Provider or an officer or employee of a Financial Instruments Intermediary Service Provider fails to fulfill any requirement set forth in Article 4, Items 1 through 3 of the Sales Representative Rules, the Association Member must prohibit such person from conducting the Business of Sales Representative.

2. The scope of the Business of Sales Representative set forth in the preceding Paragraph shall be pursuant to the categories prescribed in Article 2, Items 2 through 4 of the Sales Representative Rules.

(Special Exceptions for Prohibition of Conducting the Business of Sales Representative by Unqualified Person)

Article 17 Notwithstanding the provisions in the preceding Article, if a Special Member conducts the Registered Financial Institution Business prescribed in Article 5, Item 3 of the Articles of Association through the entrustment to a Financial Instruments Intermediary Service Provider, and the Special Member and the Financial Instruments Intermediary Service Provider meet the standard in the “Standard for regarding the Association Member and non-Association Member as a unified single entity” prescribed in Article 12 of the “Rules Concerning the Calculation of Sharing of Common Expenditures in the Account between the Regular Member and Special Member” (hereinafter referred to as the “Unified Single Entity Standard”), the Special Member is allowed to have the Officers or Employees of the Financial Instruments Intermediary Service Provider conduct the Business of Sales Representative if the Officers or Employees of such Financial Instruments Intermediary Service Provider meet either of the requirements prescribed in Article 4, Items 4 or 5 of the Sales Representative Rule. Provided, however, that this provision shall not apply to the case where the Financial Instruments Intermediary Service Provider conducts the Financial Instruments Intermediary Service through the entrustment by an Association Member other than the Special Member who is regarded as a unified single entity under the Unified Single Entity Standard.

2. The scope of the Business of Sales Representative set forth in the preceding Paragraph shall be determined by categories prescribed in Article 2, Items 5 or 6 of the Sales Representative Rules.

3. Even if a Financial Instruments Intermediary Service Provider to whom a Special Member entrusts the Financial Instruments Intermediary Service and who meets the Unified Single Entity Standard no longer meets the Standards, the Special Member is still allowed to have the Officers or the Employees of the Financial Instruments Intermediary Service Provider conduct the Business of Sales Representative, for 90 days from the date of the Financial Instruments Intermediary Service Provider becomes no longer eligible, within the scope prescribed in the preceding Paragraph if such Officers or Employees meet either of the requirements prescribed in Article 4, Items 4 or 5 of the Sales Representative Rules.

(Participation in Qualification Examination)

Article 18 When an Association Member shall have a Financial Instruments Intermediary Service Provider or its officer or employee, or a person whom a Financial Instruments Intermediary Service Provider intends to appoint as an officer or adopt as an employee participate in the qualification examination (hereinafter referred to as the “Qualification Examination”) prescribed in each Item of Article 3 of the “Rules Concerning Qualification Examination for Sales Representatives, Etc.” (hereinafter referred to as the “Examination Rules”), the Association Member shall file matters such as a trade name, name, personal name of such Financial Instruments Intermediary Service Provider to the Association using a designated method to obtain approval of the Association.

2. Application procedure of the Qualification Examination that relates to a Financial Instruments Intermediary Service Provider shall be done pursuant to the Article 6, Paragraph 1 of the Examination Rules.

(Participation, Etc. in Training Course for Qualification Renewal)

Article 19 An Association Member must ensure that Individual Financial Instruments Intermediary Service Providers and Sales Representatives of a Financial Instruments Intermediary Service Provider participate in a training course for Sales Representative qualification renewal (hereinafter referred to as “Training Courses for Qualification Renewal”) and complete it within a period prescribed in each of the following Items (hereinafter referred to as “Obligatory Course Participation Period” in this Article). .

- (1) Within 180 days from the date of registration of Sales Representative; and
 - (2) Within one year from the first day of the month where the registration of Sales Representative is made at five-year intervals;
2. The provision in the preceding Paragraph shall not apply if any of the conditions set forth in the following Items is fulfilled:
 - (1) A person who passed the Qualification Examination set forth in each Item of Article 3 of the Examination Rules, or a person who completed the Training Courses for Qualification Renewal within two years before the first day of the Obligatory Course Participation Period;
 - (2) A person who passed the Qualification Examination within the Obligatory Course Participation Period; or
 - (3) A person about whom the Association accepts that such person cannot participate in the Training Courses for Qualification Renewal due to an unavoidable reason (the Association may impose certain conditions if it accepts the non-participation).
 3. The Association shall suspend the validity of all the Sales Representative qualification of an Individual Financial Instruments Intermediary Service Provider or a Sales Representative of the Financial Instruments Intermediary Service Provider who has not completed the Training Courses for Qualification Renewal within the Obligatory Course Participation Period on the day following the last

day of such Period (referred to as “Due Period of the Obligatory Participation” in Paragraph 5), and notify the Financial Instruments Intermediary Service Provider through an Association Member.

4. An Association Member must prohibit a person whose validity of Sales Representative qualification is suspended pursuant to the preceding Paragraph from conducting the Business of Sales Representative until such suspension is released.
5. If the Sales Representative Qualification of an Individual Financial Instruments Intermediary Service Provider and a Sales Representative of a Financial Instruments Intermediary Service Provider is suspended pursuant to the Paragraph 3, an Association Member shall endeavor to have him or her participate in and complete the Training Courses for Qualification Renewal within 180 days from the day following the Due Period of the Obligatory Participation (hereinafter referred to as “Grace Period” in this Article).
6. The Association shall release the suspension of validity of Sales Representative qualification for a person who completed the Training Courses for Qualification Renewal within the Grace Period on the completion day, and notify a Financial Instruments Intermediary Service Provider through an Association Member.
7. The Association shall revoke all the Sales Representative qualification of a person who does not complete the Training Courses for Qualification Renewal within the Grace Period (including the case where the registration of Sales Representative is deleted during the Grace Period) on the next day of the last day of the Grace Period, and notify the Financial Instruments Intermediary Service Provider through a Regular Member or a Special Member.
8. When the Association issues a notice set forth in Paragraph 3, 6, or 7, it shall notify all the Entrusting Association Members of such Financial Instruments Intermediary Service Provider.
9. The Association shall determine the method of Training Courses for Qualification Renewal for Financial Instruments Intermediary Service Providers.
10. Provisions in Article 6, Paragraphs 1 and 3 and Article 7, Paragraphs 1 through 3 and Paragraph 5 of the Examination Rules shall apply *mutatis mutandis* to the Training Courses for Qualification Renewal for Financial Instruments Intermediary Service Providers. In such cases, the term “Examination” in each provision shall be changed to read “Training Courses for Qualification Renewal”, the term “procedure” to read “Training Courses for Qualification Renewal participation procedure”, the term “Examination fee” to read “Course fee”, the term “the Committee” to read “the Association”, the term “Unfair Examinee” to read “Unfair course participant”, the term “Failure” to read “Incompletion”, the term “Examination participation” to read “Course participation”, the term “Unfair examination participation” to read “Unfair course participation”, and the term “Examination participant” to read “Course participant”, respectively.

(Administration Process for Registration of Sales Representative of Financial Instruments Intermediary Service Provider)

Article 20 In the case where a Financial Instruments Intermediary Service Provider submits an application for registration of its Sales Representative or an application for change, etc. of registered matters. to the Association, such applications must be submitted through an Association Member.

2. Administration process for registration of Sales Representative of Financial Instruments Intermediary Service Provider conducted by the Association (an administration process for registration of Sales Representative of Financial Instruments Intermediary Service Provider that is entrusted by the Commissioner of the Financial Services Agency pursuant to Article 64-7, Paragraph 1 of the FIEA that applies *mutatis mutandis* in Article 66-25 of the FIEA) shall be made under the FIEA, and shall be

conducted in the same manner as prescribed in the provisions of the Sales Representative Rules. In such case, if the Association needs to send a notice to the Financial Instruments Intermediary Service Provider, such notice shall be made through an Association Member.

Article 21 DELETED

Article 22 DELETED

(Training Course for Person under the Disciplinary Action Suspending Business of Sales Representative)

Article 23 An Association Member must ensure that the Person under the Action Prohibiting Business of Sales Representative prescribed in Article 29, Paragraph 1, an Individual Financial Instruments Intermediary Service Provider whose Financial Instruments Intermediary Service is suspended pursuant to Article 66-20, Paragraph 1 of the FIEA, or a Sales Representative whose Business of Sales Representative of a Financial Instruments Intermediary Service Provider is suspended pursuant to Article 64-5, Paragraph 1 of the FIEA that applies *mutatis mutandis* to Article 66-25 of the FIEA (hereinafter referred to as the “Person under the Disciplinary Action Suspending Business of Sales Representative”) immediately participates in a training course designated by the Association.

(Prohibited Acts)

Article 24 An Association Member must prohibit an Individual Financial Instruments Intermediary Service Provider or a Sales Representative of Financial Instruments Intermediary Service Provider from engaging in acts set forth in each of the following Items:

- (1) To make an offer or promise, or have a third party make an offer or promise to a customer or a person designated by the customer to compensate for all or part of a loss by itself or the third party, or provide such customer or the person with a financial gain to make up such loss in the Financial Instruments Intermediary Service, if the customer (including a trustee in the case where a trust company, etc. sells or purchases securities or conducts the derivative transactions under the calculation of trustee under the trust agreement; the same shall apply hereinafter in this Item, the following Item, and Item 3) incurs the loss in the transaction of securities or derivatives (hereinafter referred to as “Securities, etc.” in this Item, the following Item, and Item 3), or if a pre-determined profit is not realized;
- (2) To make an offer or promise, or have a third party make an offer or promise to a customer or a person designated by the customer to compensate for all or part of the customer’s loss from the Securities, etc. by itself or the third party, or provide such customer or the person with a financial gain to add to the customer’s profit arising from such Securities, etc. in the Financial Instruments Intermediary Service;
- (3) To provide or have a third party provide a customer or a third party with a financial gain to compensate for all or part of the customer’s loss from the Securities, etc., or to add to the customer’s profits arising from such Securities, etc. in the Financial Instruments Intermediary Service;
- (4) To conduct the Sale and Purchase or Other Transactions of Securities, etc. under the calculation of the customer’s account without consent of such customer in the Financial Instruments Intermediary Service;
- (5) To place a customer’s order of the Sale and Purchase or Other Transactions of Securities, etc. to the Association Members other than the Entrusting Association Members regardless of the name used for the transaction;

- (6) To engage in margin transactions, Securities-Related Derivative Transactions (the Securities-Related Derivative Transactions prescribed in Article 3, Item 7(b) of the Articles of Association; the same shall apply hereinafter), or Specified Over-the-Counter Derivative Transactions (the Specified Over-the-Counter Derivative Transactions prescribed in Article 3, Item 7 of the Articles of Association; the same shall apply hereinafter) for its own account regardless of the name used for the transaction;
- (7) To solicit a customer for the Sale and Purchase or Other Transactions of Securities, etc. with an excessive volume in light of the amount of an investment fund or other matters known through the customer card, etc. in the Financial Instruments Intermediary Service;
- (8) To solicit a customer for Sale and Purchase or Other Transactions of Securities or Transactions of Securities-Related Derivatives by promising to share a profit or loss with a customer of the Financial Instruments Intermediary Service, or carry out such a promise;
- (9) To execute Sale and Purchase or Other Transactions of Securities, etc. in the capacity of a counterparty in the Sale and Purchase or Other Transactions of Securities, etc. for a customer in the Financial Instruments Intermediary Service;
- (10) To allow a customer to use the name or address of an Individual Financial Instruments Intermediary Service Provider him/herself or a Sales Representative of Financial Instruments Intermediary Service Provider, his/her relatives, or a person who has a special relationship with the Individual Financial Instruments Intermediary Service Provider him/herself or the Sales Representative of Financial Instruments Service Provider when conducting Sale and Purchase or Other Transactions of Securities, etc. or Transactions of Securities-Related Derivatives for the customer, or when transferring the securities in the Financial Instruments Intermediary Service;
- (11) To conduct Sale and Purchase or Other Transactions of Securities, etc. for a customer in the Financial Instruments Intermediary Service while knowing that the customer uses a false or fictitious name;
- (12) To use the name or address of a customer for Sale and Purchase or Other Transactions of Securities, etc., Transactions of Securities-Related Derivatives, or Specified Over-the-Counter Transactions of Derivatives for its own account;
- (13) To fail the delivery of documents on the Financial Instruments Intermediary Service that is entrusted by a Financial Instruments Intermediary Service Provider which he/her belongs or an Entrusting Association Member to a customer without delay;
- (14) To lend or borrow money or securities with the customer (including a temporary advance for a debt held by the customer) in the Sale and Purchase or Other Transactions of Securities, etc. for a customer in the Financial Instruments Intermediary Service;
- (15) To leak a secret known through the Financial Instruments Intermediary Service;
- (16) To place an advertisement or offer premium relating to the Financial Instruments Intermediary Service at the discretion of an Individual Financial Instruments Intermediary Service Provider or a Sales Representative without undergoing the examination by an Association Member;
- (17) To fail to explain, with regard to the Financial Instruments Intermediary Service, important matters on the switching of investment trust securities, etc. (meaning acquisition, purchase or entrustment, etc. of such transaction of investment trust beneficiary securities, etc. (beneficiary securities of investment trusts or foreign investment trusts (excluding those set forth in Article 65, Item 2 (a) to

(c) of the FIBCOO, and those have the similar nature), excluding investment securities or foreign investment securities equivalent to investment securities listed on a Financial Instruments Exchange Market; the same shall apply hereinafter in this Item), concurrently conducted with partial cancellation of the investment trust contract related to the investment trust beneficiary securities, etc., refund of investment units, sale of investment trust beneficiary securities, etc. the customer currently holds or entrustment, etc. of such transaction; the same shall apply hereinafter in this Item) when soliciting such switching to a customer (excluding professional investors (the professional investors prescribed in Article 2, Paragraph 31 of the FIEA (excluding those who are regarded as a customer other than the professional investors pursuant to Article 34-2, Paragraph 5 of the same Act, and including those who are regarded as the professional investors pursuant to Article 34-3, Paragraph 4 of the same Act (including the cases where it applies *mutatis mutandis* to Article 34-4, Paragraph 6 of the same Act))); the same shall apply hereinafter in this Article);

- (18) To conduct the solicitation without confirming the acceptance of solicitation with a customer in advance when concluding a CFD transaction contract (a CFD transaction contract prescribed in Article 3, Item 3 of the “Rules Concerning CFD Transactions” (excluding an OTC CFD transaction contract prescribed in Item 4 of the same Article); the same shall apply hereinafter); and
- (19) To continue the solicitation to the customer who received the initial solicitation but clearly indicates its intention not to conclude a CFD transaction contract (including its intention to no longer receive the solicitation).

(Improper Acts)

Article 25 An Association Member must prohibit an Individual Financial Instruments Intermediary Service Provider or a Sales Representative of an Financial Instruments Intermediary Service Provider from taking acts set forth in each of the following Items (hereinafter referred to as “Improper Acts” in the following Article) in the Financial Instruments Intermediary Service:

- (1) To conduct Sale and Purchase or Other Transactions of Securities, etc. for the customer’s account without confirming the issue, price, volume, whether it is limit order or market order , and other details of customer’s order;
- (2) To solicit a customer in a manner that may mislead the customer with respect to the nature of securities or Transactions of Securities-Related Derivatives, or conditions of transactions;
- (3) To solicit a customer in a manner that may mislead the customer with respect to the rise or fall in the price of securities or the amount of the option premium, rise or fall of contracted value or actual value of transactions set forth in Article 2, Paragraph 21, Item 2 of the FIEA (including the Foreign Market Derivative Transactions that are similar to such transactions), rise or fall of financial benchmarks relating to the transactions set forth in the same Article, Paragraph 21, Item 4, or rise or fall of price of Financial Instruments; and
- (4) To commit an error in administration process by negligence when conducting Sale and Purchase or Other Transactions of Securities, etc. on a customer’s account.

(Notice of Incidents)

Article 26 In cases where an Association member becomes aware that a person who is/was an Individual Financial Instruments Intermediary Service Provider, or a person who is/was a Sales Representative of the Financial Instruments Intermediary Service Provider has committed an act that breach the Laws, etc., Article 16, or each Item of Article 24, or the Improper Acts prescribed in the preceding Article (hereinafter referred to as an “Incident” in this Article and the following Article) in the Financial

Instruments Intermediary Service, the Association Member must immediately investigate such Incident and submit an Incident report describing the details of such Incident in the prescribed form to the Association except for cases where such Improper Acts prescribed in the preceding Article was committed by negligence.

2. The Association may request the Association Member to make a report or submit a materials in the case where the Association determines it necessary based on the details of the Incident report prescribed in the preceding Paragraph.
3. The Association Member must comply with the request for making a report or submitting a material prescribed in the preceding Paragraph.

(Reporting of the Development and Results of the Incidents)

Article 27 When the details of the Incidents prescribed in the preceding Article (excluding cases where the Improper Acts prescribed in Article 25 was committed by negligence) are found out, an Association Member must submit without delay a Report of Development and Results of the Incidents to the Association in the prescribed form.

(Examination)

Article 28 In cases where the Association receives a Report of Development and Results of the Incidents pursuant to the preceding Article, it shall examine the details of such report.

2. The Association may request the Association Member which submitted the Report of Development and Results of the Incidents that is prescribed in the preceding Article to explain the details of the report or submit evidence materials, etc., in cases where the Association determines it necessary to conduct the examination prescribed in the preceding Paragraph.
3. An Association Member must comply with the request for making an explanation or submitting evidence materials, etc. prescribed in the preceding Paragraph.
4. The Association may conduct an examination prescribed in Paragraph 1 based on the Report of Development and Results of the Incidents that is prescribed in the preceding Article and other materials the Association deems appropriate (hereinafter referred to as the “Accredited Materials”).

(Action Prohibiting Business of Sales Representative)

Article 29 As a result of the examination under the preceding Article, if the Association determines that a person who is an Individual Financial Instruments Intermediary Service Provider (including a person who was an Individual Financial Instruments Intermediary Service Provider; the same shall apply hereinafter) breaches laws and regulations or an administrative order based on laws and regulations on the Financial Instruments Intermediary Service, or is judged to commit a significantly inappropriate action in connection with the Financial Instruments Intermediary Service, or if a person who is a Sales Representative of a Financial Instruments Intermediary Service Provider (including a person who was a Sales Representative of a Financial Instruments Intermediary Service Provider; the same shall apply hereinafter) breaches laws and regulations in respect of the Business of Sales Representative or incidental business, or is judged to commit a significantly inappropriate action in respect of the Business of Sales Representative, the Association shall, in accordance with the decision and fixing a period that is less than five years, take the Action Prohibiting Business of Sales Representative to an Association Member that had a business contract with such Individual Financial Instruments Intermediary Service Provider or a Financial Instruments Intermediary Service Provider to which such Sales Representative belonged at the time of such breach or inappropriate action was made, with respect to such Individual Financial Instruments Intermediary Service Provider or such Sales Representative. Provided however,

this provision shall not apply if the Association shall take a disciplinary action to the Sales Representative of the Financial Instruments Intermediary Service Provider pursuant to Article 64-5, Paragraph 1 of the FIEA that is applied *mutatis mutandis* to Article 66-25 of the FIEA.

2. When a person who has received a decision concerning the Action Prohibiting Business of Sales Representative during the period set forth in each Item below pursuant to the preceding Paragraph or the provision of Article 6, Paragraph 1 of the Sales Representative Rules (hereinafter referred to as the “Person under the Action Prohibiting Business of Sales Representative”) gets to fall under either of the following Items within five years from the date when such decision was made, the period of the Action Prohibiting Business of Sales Representative shall be five years.
 - (1) More than one month: In cases where a person who was already imposed the Action Prohibiting Business of Sales Representative again has a reason that is subject to the Action Prohibiting Business of Sales Representative Qualification for more than one month;
or
 - (2) More than one day: In cases where a person who had already been imposed the Action Prohibiting Business of Sales Representative was imposed the Action Prohibiting Business of Sales Representative Qualification again, and also has a reason that is subject to the Action Prohibiting Business of Sales Representative Qualification.

(Prohibition of Conducting the Business of Sales Representative by a Disciplined Person)

Article 29-2 An Association Member must prohibit a person who is regarded as the Class-1 Perpetrator of an Inappropriate Act by the Association pursuant to Article 12, Paragraph 1 of the Employees Rules from conducting the Business of Sales Representative.

2. An Association Member must prohibit a person whose registration as Sales Representative is revoked pursuant to Article 64-5, Paragraph 1 of the FIEA (including the cases that apply *mutatis mutandis* to Article 66-25 of the FIEA); or a person who is regarded as a Class-2 Perpetrator of an Inappropriate Act by the Association pursuant to Article 12, Paragraph 1 of the Employees Rules from conducting the Business of Sales Representative in five years from the date when such decision was made.
3. An Association Member must prohibit a Person under the Disciplinary Action Suspending Business of Sales Representative; a person who has received a disciplinary action for suspending the Business of Sales Representative pursuant to Article 11 of the Sales Representative Rules; or a Person under the Action Prohibiting the Business of Sales Representative pursuant to Paragraph 1 of the preceding Article or Article 6, Paragraph 1 of the Sales Representative Rules from conducting the Business of Sales Representative during the period of such disciplinary action or the action.

(List of Persons under the Action Prohibiting Business of Sales Representative)

Article 29-3 The Association shall describe a name, gender, and date of birth of a Sales Representative who is the Person under the Action Prohibiting Business of Sales Representative, details of act that causes the Action Prohibiting Business of Sales Representative in respect of the Person under the Action Prohibiting Business of Sales Representative, details of the Action Prohibiting Business of Sales Representative, the date when such Action Prohibiting Business of Sales Representative is determined, and other matters that deem necessary on a list of Persons under the Action Prohibiting Business of Sales Representative (the list prescribed in Article 6-3 of the Sales Representative Rules; the same shall apply hereinafter).

(Application for Release of Person under the Action Prohibiting Business of Sales Representative)

Article 29-4 When an Association Member believes that a Person under the Action Prohibiting Business

of Sales Representative clearly shows repentance, or a new fact is found regarding the details of the act that caused such Action Prohibiting Business of Sales Representative in respect of such Person under the Action Prohibiting Business of Sales Representative, or if there is a special reason, and that it is appropriate to release the Action Prohibiting Business of Sales Representative on such Sales Representative, it may apply for the release of the Action Prohibiting Business of Sales Representative by submitting a document describing the following matters to the Association:

- (1) Trade name or name of the Association Member who intends to make an application for release of the Action Prohibiting Business of Sales Representative;
- (2) The following matters on the Person under the Action Prohibiting Business of Sales Representative who is involved in the application for release:
 - (a) Name, date of birth, and gender;
 - (b) Details on and date of determining the Action Prohibiting Business of Sales Representative;
 - (c) Reasons for the application for release;
 - (d) Date of submitting the application for release.

(Review and Notification of Release of Action Prohibiting Business of Sales Representative)

Article 29-5 When the Association receives an application prescribed in the preceding Article, it shall review it and, if it judges it appropriate, may release the Action Prohibiting Business of Sales Representative against the person concerned.

2. The Association shall notify the result of the review prescribed in the preceding Paragraph to the Association Member who made the application subject to such review.
3. When the Association releases the Action Prohibiting Business of Sales Representative pursuant to Paragraph 1, it shall erase the record of the person concerned from the List of Persons under the Action Prohibiting Business of Sales Representative.

CHAPTER IV MISCELLANEOUS PROVISIONS

(Reporting)

Article 30 If an Association Member gets to fall under the cases set forth in each of the following Items, it must report the same to the Association on a designated method without delay:

- (1) In the case where a person with whom the Association Member has concluded the entrustment agreement on the Financial Instruments Intermediary Service is registered as the Financial Instruments Intermediary Service Provider;
- (2) In the case where the Association Member entrusts the business relating to the Financial Instruments Intermediary Service to the Financial Instruments Intermediary Service Provider;
- (3) In the case the Association Member ceases the entrustment mentioned in the preceding Item to the Financial Instruments Intermediary Service Provider;
- (4) In the case where the trade name, name, or address of the Financial Instruments Intermediary

Service Provider is changed;

- (5) In the case where the local financial bureau (or the finance office) with which the Financial Instruments Intermediary Service Provider is registered is changed;
- (6) In the case where the Association Member becomes aware that the Financial Instruments Intermediary Service Provider or the Officer or the Employee of such Financial Instruments Intermediary Service Provider committed an act that breaches the Laws, etc., or various rules in the Financial Instruments Intermediary Service (excluding the cases where a report is made using the “Incidents Report” pursuant to Article 26 or the “Report of Development and Results of the Incidents” pursuant to Article 27; the same shall apply in the following Item);
- (7) In the case where the details of the acts mentioned in the preceding Item are clearly found;
- (8) In the case where the Association Member becomes aware that an inspection of the Financial Instruments Intermediary Service Provider under the FIEA starts, or completes;
- (9) In the case where the Association Member becomes aware that the Financial Instruments Intermediary Service Provider receives an order to revoke the registration of Financial Instruments Intermediary Service Provider, to suspend the business of Financial Instruments Intermediary Service Provider, or to dismiss the Officer of Financial Instruments Intermediary Service Provider pursuant to Article 66-20 of the FIEA;
- (10) In the case where the Association Member becomes aware that the Financial Instruments Intermediary Service Provider or the Officer or the Employee of such Financial Instruments Intermediary Service Provider is imposed punishment under the FIEA or provisions of other Laws, etc. in the Financial Instruments Intermediary Service and such punishment is heavier than a fine;
- (11) In the case where the Association Member becomes aware that the Financial Instruments Intermediary Service Provider becomes a party of lawsuit or arbitration relating to the Financial Instruments Intermediary Service, and that such lawsuit or arbitration is completed (excluding the cases where a report is made pursuant to the Article 6, Paragraph 1, Item 41 or the same Article, Paragraph 2, Item 29 of the Rules Concerning Enforcement of the Articles of Association);
- (12) In the case where the Financial Instruments Intermediary Service Provider meets the Unified Single Entity Standards prescribed in Article 17;
- (13) In the case where the Financial Instruments Intermediary Service Provider does not meet the Unified Single Entity Standards prescribed in Article 17;
- (14) In the case where the Association deems it necessary, other than the cases set forth in each of the preceding Items.

(In the Case Where Several Association Members Entrust the Business)

Article 31 In the case where several Association Members entrust the Financial Instruments Intermediary Service to the same single Financial Instruments Intermediary Service Provider, such several Association Members shall hold a discussion and determine a single Association Member who shall represent all such several Association Members (hereinafter referred to as “Representative Association Member”), and such Representative Association Member shall immediately notify the Association by a designated method with the written consent of such Financial Instruments Intermediary Service Provider. The same process shall be taken in the case where the Representative Association Member is changed.

2. In the preceding Paragraph, in the case where the several Association Members which entrust the

Financial Instruments Intermediary Service to the same single Financial Instruments Intermediary Service Provider include Regular Member(s), the Representative Association Member shall be elected from among the Regular Member(s).

3. A Representative Association Member shall implement the procedures set forth in each of the following Items that are related to the Financial Instruments Intermediary Service Provider and submit relevant documents to the Association:
 - (1) Filing and application procedures for participating in the Qualification Examination prescribed in Article 18;
 - (2) Application procedure for participating in the Training Courses for Qualification Renewal conducted by the Association prescribed in Article 19;
 - (3) Submission of application for registration of a Sales Representative prescribed in Article 20, Paragraph 1;
 - (4) Reporting prescribed in the preceding Article, Items 1, 4, and 5;
 - (5) Application procedure for participating in the training course for Person under the Disciplinary Action Suspending Business of Sales Representative prescribed in Article 23.
 - (6) Other cases where the Association deems it necessary other than the cases set forth in each of the preceding Items.
4. In the case of the preceding Paragraph, when the Association needs to make a notice to a Financial Instruments Intermediary Service Provider, such notice shall be made through the Representative Association Member.

SUPPLEMENTARY PROVISIONS [Omitted]

(Note) These Rules are based on the version in effect as of January 1, 2017.

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.