

RULES CONCERNING QUALIFICATION AND REGISTRATION, ETC. OF SALES REPRESENTATIVES OF ASSOCIATION MEMBERS

(July 14, 1992)

CHAPTER I. GENERAL PROVISIONS

(Purpose)

Article 1 The purpose of the Rules Concerning Qualification and Registration, Etc. of Sales Representatives of Association Members (hereinafter referred to as the “Rules”) is to ensure improvement of the quality of Sales Representatives and proper and smooth operation of the Sales Representatives Registration System by prescribing qualifications, business, training systems, etc. of Sales Representatives, and the scope, etc. of the task entrusted with respect to the registration of Sales Representatives pursuant to Article 64-7, Paragraph 1 of the Financial Instruments and Exchange Act (hereinafter referred to as “FIEA”), thereby contributing to the investor protection.

(Definitions)

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

- (1) Sales Representative: Officer or employee of an Association Member who is engaged, on behalf of the Association Member, in any act which is prescribed in each Item of Article 64, Paragraph 1 of the FIEA in connection with business according to each type of Association Members set forth in each Item of Article 5 of the Articles of Association (hereinafter referred to as “Business of Sales Representative”);
 - (2) Class-1 Sales Representative: Sales Representative who is authorized to engage in the Business of Sales Representative (for a person who does not meet the requirements of Article 4-2, excluding business which is related to the Specified Over-the-Counter Transactions of Derivatives, etc. (as prescribed in Article 3, Item 7 of the Articles of Association; the same shall apply hereinafter));
 - (3) Margin Transaction Sales Representative: Sales Representative who is authorized to engage in the Business of Sales Representative by Class-2 Sales Representative and the Business of Sales Representative related to margin transactions, etc. (including the margin transactions and “when-issued” transactions; the same shall apply hereinafter). Provided, however, that a person who meets the requirements of Article 4-2, Paragraph 2 may conduct the Business of Sales Representative related to the Specified Over-the-Counter Transactions of Derivatives, etc.;
 - (4) Class-2 Sales Representative: Sales Representative who is authorized to engage in the Business of Sales Representative related to the Securities (excluding those listed below) set forth in Article 3, Item 1 of the Articles of Association (excluding those related to the Transactions of Securities-Related Derivatives, etc. set forth in Article 3, Item 4 of the Articles of Association and Transactions in Bonds with Options, and as for margin transactions, etc., limited to those prescribed in the Detailed Rules) and the Business of Sales Representative that is related to the act prescribed in Article 33, Paragraph 2, Item 6 of the FIEA. Provided, however, that a person who meets the requirements of Article 4-2, Paragraph 1, Item 3 or Paragraph 2 may conduct the Business of Sales Representative related to the Specified Over-the-Counter Transactions of Derivatives, etc.;
- (a) Share option certificates (*i.e.*, those prescribed in Article 2, Paragraph 1, Item 9 of the FIEA,

- and including those related to Article 2, Paragraph 1, Item 17 of the FIEA);
- (b) New investment unit subscription warrant securities (*i.e.*, those prescribed in Article 2, Paragraph 1, Item 11 of the FIEA and securities similar to REIT Warrants issued by a foreign investment corporation prescribed in Article 220, Paragraph 1 of the Act on Investment Trust and Investment Corporations; the same shall apply hereinafter);
 - (c) Covered warrants (*i.e.*, those prescribed in Article 2, Paragraph 1, Item 19 of the FIEA);
 - (d) Securities or certificates set forth in Article 2, Paragraph 1, Item 20 of the FIEA that are related to those set forth in (a) and (c);
 - (e) Complex structured bonds similar to Over-the-Counter Transactions of Derivatives (as prescribed in Article 2, Item 7 of the “Rules Concerning Solicitation for Investments and Management of Customers, Etc. by Association Members” (hereinafter referred to as the “Investment Solicitation Rules”)); the same shall apply hereinafter);
 - (f) Complex investment trust similar to Over-the-Counter Transactions of Derivatives (as prescribed in Article 2, Item 8 of the Investment Solicitation Rules; the same shall apply hereinafter); and
 - (g) Leveraged investment trusts (as prescribed in Article 2, Item 9 of the Investment Solicitation Rules; the same shall apply hereinafter).
- (5) Special Member’s Class-1 Sales Representative: For Special Members, Sales Representative who is authorized to engage in the Business of Sales Representative (excluding acts of Financial Instruments Intermediary Service by a Registered Financial Institution (acts set forth in Article 33, Paragraph 2, Item 3(c) of the FIEA and Item 4(b) in the said Paragraph (excluding those related to the rights that are regarded as the Securities pursuant to each Item of Article 2, Paragraph 2 of the same act); the same shall apply hereinafter), those related to the acts set forth in Article 33-2, Item 1 of the FIEA, and those related to the Specified Over-the-Counter Transactions of Derivatives, etc. for those who does not meet the requirements of Article 4-2) related to the Registered Financial Institution Business (*i.e.*, the Registered Financial Institution Business prescribed in Article 5, Item 3 of the Articles of Association; the same shall apply hereinafter), for Specified Business Members (limited to those conducting the business set forth in Article 5, Item 2(a) of the Articles of Association), Sales Representative who is authorized to engage in the Business of Sales Representative to the Specified Over-the-Counter Transactions of Derivatives, etc.;
- (6) Special Member’s Class-2 Sales Representative: Sales Representative who is authorized to engage in the Business of Sales Representative set forth in Article 33, Paragraph 2, Items 1, 2, 3(b) and 4(a) of the FIEA (excluding the business related to securities and transactions set forth below), and the Business of Sales Representative that is related to acts prescribed in Article 33, Paragraph 2, Item 6 of the FIEA. Provided, however, that a person who meets the requirements of Article 4-2, Paragraph 1, Item 3 or Paragraph 2 may conduct the Business of Sales Representative related to the Specified Over-the-Counter Transactions of Derivatives, etc.;
- (a) New investment unit subscription warrant securities;
 - (b) Complex structured bonds similar to Over-the-Counter Transactions of Derivatives;
 - (c) Complex investment trust similar to Over-the-Counter Transactions of Derivatives;
 - (d) Leveraged investment trusts;
 - (e) Transactions of Securities-Related Derivatives, etc.; and
 - (f) Sale and purchase of bonds with options.

(7) Special Member's Class-4 Sales Representative: Sales Representative who is authorized to engage in the Business of Sales Representative that is related to the Specified Financial Instruments Business prescribed in Article 33-8, Paragraph 2 of the FIEA (excluding the Business related to the securities set forth below, and limited to a person who meets the requirements of Article 4-2 for the Specified Over-the-Counter Transactions of Derivatives, etc.).

- (a) New investment unit subscription warrant securities;
- (b) Complex investment trust similar to Over-the-Counter Transactions of Derivatives; and
- (c) Leveraged investment trusts.

CHAPTER II. REGISTRATION DUTY AND QUALIFICATION, ETC. OF SALES REPRESENTATIVES

(Duty of Registering Sales Representatives)

Article 3 An Association Member must, when it intends to have any of its officers or employees conduct the Business of Sales Representatives, have that person's name, date of birth and other matters prescribed in the Detailed Rules registered in the Registry of Sales Representatives kept at the Association (hereinafter referred to as "Registry").

2. An Association Member must not have any person other than those registered under the provisions of the preceding Paragraph conduct the Business of Sales Representative.

(Sales Representative Qualifications)

Article 4 An Association Member may not register its officer or employee as Sales Representative unless he/she meets the requirements set forth in each of the following Items:

- (1) Class-1 Sales Representative: The officer or employee who passed the Qualification Examination for the Class-1 Sales Representative under the "Rules Concerning Qualification Examination for Sales Representatives, Etc." (hereinafter referred to as "Examination Rules");
- (2) Margin Transaction Sales Representative: The officer or employee who passed the Qualification examination for the Margin Transaction Sales Representative under the "Rules Concerning Qualification Examination for Securities Sales Representatives, Etc." before its revision on April 1, 2006;
- (3) Class-2 Sales Representative: The officer or employee who passed the Qualification Examination for Class-2 Sales Representative under the Examination Rules or completed the Training Course for Newly-appointed Sales Representative conducted by the Association;
- (4) Special Member's Class-1 Sales Representative: The officer or employee who passed the Qualification Examination for the Class-1 Sales Representative or the Qualification Examination for the Special Member's Class-1 Sales Representative under the Examination Rules;
- (5) Special Member's Class-2 Sales Representative: The officer or employee who has passed the Qualification Examination for the Class-2 Sales Representative or the Qualification Examination for the Special Member's Class-2 Sales Representative under the Examination Rules or completed the Training Course for Newly-appointed Sales Representative conducted by the Association; and

- (6) Special Member's Class-4 Sales Representative: The officer or employee who passed the Qualification Examination for the Class-1 Sales Representative, the Qualification Examination for the Class-2 Sales Representative, the Qualification Examination for the Special Member's Class-1 Sales Representative, the Qualification Examination for the Special Member's Class-2 Sales Representative or the Qualification Examination for the Special Member's Class-4 Sales Representative (*i.e.*, the Qualification Examination for the Special Member's Class-4 Sales Representative under the provision of Article 3, Item 6 of the Examination Rules before the revision on January 1, 2015; the same shall apply hereinafter) under the Examination Rules or completed the Training Course for Newly-appointed Sales Representative conducted by the Association.

(Exceptional Cases for the Specified Over-the-Counter Transactions of Derivatives, Etc.)

Article 4-2 An Association Member must not allow a Sales Representative to conduct the Business of Sales Representative related to the Specified Over-the-Counter Transactions of Derivatives, etc. until he/she fulfills any of the requirements set forth in each Item below, and is registered as prescribed in Article 3:

- (1) A person who passed the Qualification Examination for Class-1 Sales Representative, the Qualification Examination for Special Member's Class-1 Sales Representative, or the Qualification Examination for Special Member's Class-4 Sales Representative under the Examination Rules enforced on and after April 1, 2009;
- (2) A person who passed the Qualification Examination for Class-1 Sales Representative or the Qualification Examination for Special Member's Class-1 Sales Representative under the Examination Rules enforced on and before March 31, 2009, and who also participated in and completed an internal training course that is for the person engaged in Business related to the Specified Over-the-Counter Transactions of Derivatives, etc., conducted in a method designated by the Association, and approved by the Association to be effective for the Sales Representative Qualification (hereinafter referred to as the "Paragraph 1 Internal Training" in this Article), and the Association Member that conducted such Paragraph 1 Internal Training reported the result of the training to the Association; or
- (3) A person who engages in the Specified Financial Instruments Business as prescribed in Article 33-8, Paragraph 2 of the FIEA (limited to the business set forth in the same Paragraph, Item 2), who passed the Qualification Examination for Class-2 Sales Representative, the Qualification Examination for Special Member's Class-2 Sales Representative, or the Qualification Examination for Special Member's Class-4 Sales Representative under the Examination Rules enforced on or before March 31, 2009, or who completed a Newly-appointed Sales Representative Training Course and participated in and completed the Paragraph 1 Internal Training, and the Association Member that conducted the Paragraph 1 Internal Training reported the result of training to the Association.

2. Notwithstanding the provisions of the preceding Paragraph, an Association Member may have a registered Sales Representative conduct the Business of Sales Representative related to the Specified Over-the-Counter Transactions of Derivatives, etc. if he/she fulfills all the requirements set forth in each Item below. Provided, however, that, if officers or employees are transferred among Association Members on a regular basis, and if the result of internal training that is conducted before March 31, 2009 prescribed in Article 7-2 of the "Rules Concerning Qualification and Registration, Etc. of Sales Representatives of Association Members" before the revision as of April 1, 2009 (hereinafter referred to as the "Paragraph 2 Internal Training" in this Article) is shared among these Association Members, and if the Association deems it appropriate, the Paragraph 2 Internal Training conducted by the other Association Member may be reported in Item 2 as that conducted by the Association Member:

- (1) A person who fulfills the requirements set forth in each Item of the preceding Article by passing the examination, etc. conducted on and before March 31, 2009;

- (2) A person who participated in and completed the Paragraph 2 Internal Training and whose result is reported to the Association; and
- (3) A person who belongs to the Association Member which made a report prescribed in the preceding Item.

3. When an Association Member conducts the Paragraph 1 Internal Training, the Association Member must report the result to the Association using a designated method without delay.

(Prohibition of Business of Sales Representative beyond the Scope of Qualification)

Article 5 An Association Member must not have its officer or employee engage in the Business of Sales Representative prescribed in Article 2, Item 2 through 7 unless its officer or employee meets the requirements set forth in each of the Items of Article 4.

(Action Prohibiting Business of Sales Representative)

Article 6 If, as the result of its examination prescribed in Article 11 of the “Rules Concerning Employees of the Association Members” (hereinafter referred to as “Employees Rules”), the Association deems that a Sales Representative (including those who used to be Sales Representatives; the same shall apply hereinafter in this Article) breached laws and regulations relating to the Business of Sales Representative or the incidental business thereof, or took a significantly inappropriate action relating to the Business of Sales Representative, the Association shall, in accordance with the decision, take an action that prohibits the business of Sales Representative (hereinafter referred to as the “Action Prohibiting Business of Sales Representative”) with respect to such Sales Representative, to an Association Member to which such Sales Representative belonged at the time of such breach or inappropriate action, within a period of five years. Provided, however, this provision shall not apply if the Association shall take a disciplinary action pursuant to Article 11 of the Rules or regard the Sales Representative as a perpetrator of an inappropriate act pursuant to the provision of Article 12, Paragraph 1 of the Employee Rules.

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 29, Paragraph 1 of the “Rules Concerning Financial Instruments Intermediary Service Providers” (hereinafter referred to as the Financial Instruments Intermediary Service Provider Rules”) comes to fall under either of the following Items within five years from the date when such decision is made, the period of the Action Prohibiting Business of Sales Representative prescribed in the preceding Paragraph shall be five years.

- (1) The period for more than one month

In a case where a person who was already imposed the Action Prohibiting Business of Sales Representative for more than one month again has a reason that is subject to the Action Prohibiting Business of Sales Representative; or

- (2) The period for at least one day

In a case where a person who had already received a decision concerning the Action Prohibiting Business of Sales Representative was imposed the Action Prohibiting Business of Sales Representative again for at least one day, and also has a reason that falls under the Action Prohibiting Business of Sales Representative during such period.

3. When the Association takes a decision concerning the Action Prohibiting Business of Sales Representative pursuant to Paragraph 1, it shall inform the Association Member set forth in the same Paragraph of that effect without delay. In such case, if the Sales Representative belongs to another Association Member due to resignation or other reasons, or belongs to a Financial Instruments Intermediary Service Provider (*i.e.*, a Financial Instruments Intermediary Service Provider set forth in Article 3, Item 9 of the Articles of Association) entrusted by other Association Member as the Entrusting Financial Investments Business Operator, etc. (*i.e.*, Entrusting Financial Instruments Business Operator, etc. prescribed in 66-2, Paragraph 1, Item 4 of the FIEA) or becomes an Individual Financial Instruments

Intermediary Service Provider (*i.e.*, the Individual Financial Instruments Intermediary Service Provider prescribed in the provision of Article 3-2 of the Financial Instruments Intermediary Service Provider Rules), it shall inform the said Association Member and the said other Association Member.

4. When an Association Member Applying for Registration (*i.e.*, an Association Member who makes an application for registration prescribed in Article 7, Paragraph 1, Item 1 of the Rules) who is related to the Action Prohibiting Business of Sales Representative prescribed in Paragraph 1 hereof or Article 29, Paragraph 1 of the Financial Instruments Intermediary Service Provider Rules has not been received a notice prescribed in the preceding Paragraph, the Association shall notify it to such Association Member Applying for Registration. Provided, however, this provision shall not apply to a person whose Action Prohibiting Business of Sales Representative is released pursuant to Article 6-5, Paragraph 1 hereof or Article 29-5, Paragraph 1 of the Financial Instruments Intermediary Service Provider Rules, or whose period of the Action Prohibiting Business of Sales Representative is expired.

5. When an Association intends to take the Action Prohibiting Business of Sales Representative pursuant to Paragraph 1, it shall notify the details of such Action Prohibiting Business of Sales Representative, provisions of laws and regulations which such Action Prohibiting Business of Sales Representative are based, and the fact that causes such Action Prohibiting Business of Sales Representative, to an Association Member prescribed in the same Paragraph, and confirm with such Association Member.

6. Each Paragraph above shall apply *mutatis mutandis* to officers or employees of an Association Member who are not Sales Representatives. In such case, "Sales Representative (including those who used to be Sales Representatives; the same shall apply hereinafter in this Article)" referred to in Paragraph 1 shall be read as "officers or employees of an Association Member (including those who used to be an officer or an employee of an Association Member; the same shall apply hereinafter in this Article)"; "breached laws and regulations relating to the Business of Sales Representative or the incidental business thereof, or took a significantly inappropriate action relating to the Business of Sales Representative" shall be read as "took an action prescribed in the preceding Article and each Item of Article 7 of the Employee Rules or an inappropriate action prescribed in Article 8 of the same Rules, or breached laws and regulations that should be complied by officers or employees of a Financial Instruments Business Operator, and other significantly inappropriate action," and "such Sales Representative" shall be read as "such officers or employees." Additionally, "Sales Representative" in Paragraph 3 shall be read as "officers or employees."

(Prohibition of Conducting the Business of Sales Representative by a Perpetrator of an Inappropriate Act or a Person subject to Action Prohibiting Business of Sales Representative)

Article 6-2 An Association Member must not have a person who is treated as the Class-1 perpetrator of an inappropriate act by the Association pursuant to Article 12, Paragraph 1 of the Employees Rules conduct the Business of Sales Representative.

2. An Association Member must not have a person who is treated as the Class-2 perpetrator of an inappropriate act by the Association pursuant to Article 12, Paragraph 1 of the Employees Rules conduct the Business of Sales Representative in five years from the date when such decision was made.

3. An Association Member must not have the Person subject to Action Prohibiting Business of Sales Representative conduct the Business of Sales Representative during the period of the Action Prohibiting Business of Sales Representative.

(List of Persons subject to Action Prohibiting Business of Sales Representative)

Article 6-3 The Association shall prepare a list of persons who are subject to Action Prohibiting Business of Sales Representative (hereinafter referred to as the "List of Persons subject to Action Prohibiting Business of Sales Representatives") that describes the name, gender, and date of birth of each of the Persons subject to Action Prohibiting Business of Sales Representative, details of act that causes the

Action Prohibiting Business of Sales Representative against such Persons subject to Action Prohibiting Business of Sales Representative, details of such Action Prohibiting Business of Sales Representative, the date when such Action Prohibiting Business of Sales Representative is determined, and other matters that are deemed necessary.

(Application for Release of Action Prohibiting Business of Sales Representative)

Article 6-4 When an Association Member believes that a Person under 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 against the Person under 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, it may apply for the release of Action Prohibiting Business of Sales Representative by submitting to the Association a document describing the matters prescribed in the Detailed Rules.

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

Article 6-5 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 such person.

2. The Association shall notify the result of the review prescribed in the preceding Paragraph to the Association Member which 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 name and other descriptions of the person concerned from the List of Persons subject to Action Prohibiting Business of Sales Representative.

CHAPTER III. PROCEDURES FOR REGISTRATION AND DISCIPLINARY ACTION, ETC. OF SALES REPRESENTATIVES

(Application for Registration of Sales Representatives)

Article 7 An Association Member must, when intending to have Sales Representative registered prescribed by Article 3, Paragraph 1, submit to the Association an application for registration containing the matters set forth below:

- (1) The trade name or corporate name of the Association Member applying for registration (hereinafter referred to as “Association Member Applying for Registration”) and the name of its representative;
- (2) The matters set forth below relating to Sales Representative whose registration is applied for:
 - (a) Name, date of birth and gender;
 - (b) Whether he/she is officer or employee;
 - (c) Identification number;
 - (d) Whether or not the person has experience in conducting the Business of Sales Representative (*i.e.*, including the Business of Sales Representative prescribed in Article 2, Item 7 of the Rules Concerning Financial Instruments Intermediary Service Providers); for those who have such experience, the trade name, corporate name, or personal name of the

Financial Instruments Business Operator (*i.e.*, the Financial Instruments Business Operator set forth in Article 2, Paragraph 9 of the FIEA), Registered Financial Institutions (*i.e.*, the Registered Financial Institution set forth in Article 2, Paragraph 11 of the FIEA), or Financial Instruments Intermediary Service Provider (*i.e.*, the Financial Instruments Intermediary Service Provider set forth in the Article 2, Paragraph 12 of the FIEA) he/she belonged to and the period for which he/she conducted such business;

- (e) Whether or not the person has experience in conducting the Financial Instruments Intermediary Service (*i.e.*, the Financial Instruments Intermediary Service set forth in Article 2, Paragraph 11 of the FIEA); for those who have such experience, the period for which he/she conducted such business; and
- (f) Whether or not the person has experience in conducting the Financial Instruments Business (*i.e.*, the Financial Instruments Business set forth in Article 2, Paragraph 8 of the FIEA); for those who have such experience; the period for which he/she conducted such business.

2. When making an application for registration, a résumé of the Sales Representative whose registration is applied for, a certified copy of his/her resident card or a paper to be substituted therefor, and other documents prescribed in the Detailed Rules must be attached.

3. When making an application for registration, an Association Member may use a method using an electronic information processing system (*i.e.*, an electronic information processing system that connects a computer system used by the Association with the one used by a person who makes the application for registration via a telecommunication line; the same shall apply hereinafter) determined by the Association pursuant to the Act on Use of Information and Communications Technology in Administrative Procedure, Etc., Ordinance for Enforcement of the Act on Use of Information and Communications Technology in Administrative Procedure, Etc., Ordinance for Enforcement of the Act on Utilization of Information and Communications Technology in Administrative Procedure, Etc. Pertaining to Finance Related Laws and Rules Under the Jurisdiction of the Cabinet Office, and other related laws and regulations, or submit documents.

(Registration and Notice of Registration)

Article 8 Where an Association Member makes an application for registration, the Association shall immediately register in the Registry the matters prescribed in Article 3, Paragraph 1, excluding the cases that fall under the provisions of Paragraph 1 of the following Article.

2. The Association shall, when it has made a registration prescribed in the preceding Paragraph, notify the fact to Association Member Applying for Registration using a method prescribed in Paragraph 3 of the preceding Article without delay.

(Refusal of Registration)

Article 9 In cases where Sales Representative whose registration is applied for falls under any of the following Items or there is a false statement, or a lack of statement of any material fact, with respect to an application for registration or any accompanying documents (including the cases where an application for registration is made in a method using an electronic information processing system pursuant to the provision of Article 7, Paragraph 3, and there is a false information or a lack of information of any material fact), the Association shall refuse such registration:

- (1) The persons who are set forth in Article 29-4, Paragraph 1, Item 2 (a) through (i) of the FIEA;
- (2) The persons whose registrations as Sales Representatives was revoked pursuant to provisions of Article 64-5, Paragraph 1 of the FIEA or Paragraph 1 of Article 11 hereof, and for whom it is less than five years since the date of revocation;
- (3) The persons who are registered as Sales Representatives belonging to a Financial Instruments

Business Operator, a Registered Financial Institution or a Financial Instruments Intermediary Service Provider other than Association Member Applying for Registration; or

(4) The persons who are registered as Financial Instruments Intermediary Service Providers prescribed in Article 66 of the FIEA.

2. The Association shall, when it intends to refuse registration prescribed in the preceding Paragraph, make a notification to the Association Member Applying for Registration concerned and conduct a hearing pursuant to the Detailed Rules.

3. The Association shall, when it refuses registration as a result of the hearing prescribed in the preceding Paragraph, notify the fact in writing to the Association Member Applying for Registration without delay.

(Notification of Change, Etc. in Registered Matters)

Article 10 An Association Member must, when there arise any facts that fall under any Items set forth below with respect to its registered Sales Representative pursuant to Article 8, Paragraph 1, notify the fact to the Association without delay using a method prescribed in Article 7, Paragraph 3:

(1) There has been a change in any of the matters set forth in Article 7, Paragraph 1, Item 2(a) or (b);

(2) Sales Representative falls under the provisions of Article 29-4, Paragraph 1, Item 2(a) through (i) of the FIEA; or

(3) Sales Representative has ceased to conduct the Business of Sales Representative because of resignation or any other reason.

2. An Association Member who intends to make notification prescribed in Item 3 of the preceding Paragraph must, in case where there occurred incidents prescribed in Article 9 of the Employees Rules with regard to Sales Representative whom notification is made, submit the Report on Incident Resolution prescribed in Article 10, Paragraph 1 of the said Rules before the notification.

(Disciplinary Action against Sales Representatives)

Article 11 In cases where registered Sales Representative falls under any of the following Items, the Association may revoke his/her registration or impose suspension from the Business of Sales Representative for a period which is set up for not more than two years pursuant to Article 64-5, Paragraph 1 of the FIEA:

(1) When the person falls under any of Article 29-4, Paragraph 1, Item 2(a) through (i) of the FIEA, or when it is identified that the person fell under any of the Items of Paragraph 1 of Article 9 Rules at the time of registration;

(2) When the person has violated any of laws or regulations concerning the Business of Sales Representative or business incidental to Financial Instruments Business conducted by an Association Member (*i.e.*, businesses conducted by the Regular Member, Specified Business Member, or Special Member set forth in each Item of Article 5 of the Articles of Association), or when it is recognized that the person has done any other significantly improper act with respect to the duties of Sales Representative; or

(3) When it is identified that, in case the registration of the person has been deleted in the last five years prescribed in Article 14, Paragraph 1, Item 3, any act of such person during the period registered (limited to the act in the last five years) fell under the preceding Item.

2. The Association shall, when it intends to take a disciplinary action prescribed in the preceding Paragraph, make a notification to the Association Member to which the Sales Representative concerned

belongs and hold a trial under the provisions of the Detailed Rules.

3. The Association shall, when it disciplined the Sales Representative concerned as a result of the hearing prescribed in the preceding Paragraph, make a written notification which contains reasons thereof to the Association Member to which that Sales Representative belongs without delay.

(Public Announcement of Disciplinary Action against Sales Representative)

Article 12 When making the notification prescribed in Paragraph 3 of the preceding Article, the Association shall publicize the content of the disciplinary action of the Sales Representative concerned pursuant to each of the following Items;

- (1) Disciplinary Action to be publicized
Disciplinary action admonished by the Securities and Exchange Surveillance Commission pursuant to Article 20, Paragraph 1 of the Act for Establishment of the Financial Services Agency (only for matters related to Sales Representative)
- (2) Content of Public Announcement
Name of the Association Member whose Sales Representative did the act subject to the disciplinary action, name of business office or office, title, a summary of the act and the disciplinary action taken

(Training Courses for Persons subject to Action Prohibiting Business of Sales Representative)

Article 13 An Association Member must immediately make a Person subject to Action Prohibiting Business of Sales Representative prescribed in Article 6, Paragraph 1 or suspension of the Business of Sales Representative prescribed in Article 11, Paragraph 1 take training courses designated by the Association (hereinafter referred to as “Designated Training Courses”).

(Deletion of Registration)

Article 14 In the cases set forth below, the Association shall delete the registration relating to Sales Representative in Registry:

- (1) In case where the Association revokes the registration of Sales Representative prescribed in Article 11, Paragraph 1;
- (2) In case where the Association Member to which the Sales Representative belongs falls under the cases set forth in Paragraph 2 of Article 12, Paragraph 2 of Article 14 or Paragraph 2 of Article 32 of the Articles of Association; or
- (3) In case where the fact has been confirmed that Sales Representative has ceased to conduct the Business of Sales Representative because of resignation or any other reason.

2. The Association shall, when it deletes the registration relating to Sales Representative prescribed in Item 2 or 3 of the preceding Paragraph, notify the fact, in a method prescribed in Article 7, Paragraph 3 without delay, to the Association Member to which the Sales Representative belongs.

(Notification with respect to Registration Processing)

Article 15 The Association shall, when it makes a registration as prescribed in Article 8 Paragraph 1, a change in registration on notification as prescribed in Article 10, takes a disciplinary action as prescribed in Article 11 Paragraph 1 (excluding the revocation of registration) or makes a deletion of registration prescribed in the preceding Article, submit without delay a notification stating the matters set forth below to the Chief of the Local Finance Bureau who has jurisdiction over the head office of the Association Member to which the Sales Representative belongs (Chief of the Fukuoka Local Finance Branch Bureau if the head office is located in the jurisdiction of the Fukuoka Local Finance Branch Bureau, or Chief of the

Kanto Local Finance Bureau if there is no business office or office in Japan):

- (1) Trade name or corporate name of the Association Member to which the Sales Representative concerned belongs;
- (2) Name and date of birth of the Sales Representative concerned;
- (3) Contents of registration processing and the date of processing; and
- (4) If the contents of registration processing set forth in the preceding Item is related to disciplinary action of suspension from the Business of Sales Representative or the deletion of registrations, the reason thereof.

(Payment of Registration Fee)

Article 16 An Association Member must, when it intends to have its Sales Representative register, pay to the Association the registration fee prescribed in Article 256 of the Cabinet Office Ordinance on Financial Instruments Business, Etc.

2. The registration fee set forth in the preceding Paragraph shall in principle be paid in monies at the time of making an application for registration.

(Delegation to Detailed Rules)

Article 17 Any necessary matters related to the registration of Sales Representatives shall be defined in the Detailed Rules.

Chapter IV. Training for Sales Representatives

(Participation in Training Courses for Renewal of Sales Representative Qualification, Etc.)

Article 18 An Association Member must have its registered Sales Representatives take the training course for Renewal of the Sales Representative Qualification (hereinafter referred to as “Training Courses for Qualification Renewal”) every five years from its registration date (hereinafter referred to as “Sales Representative Registration Date”) that should be completed during the period of one year from the first day of the month on which the Sales Representative Registration Date falls. Provided, however, that this provision shall not apply to those persons prescribed in the Detailed Rules.

2. When an Association Member newly registers a person who was not registered as a Sales Representative, it must have such person participate in the Training Courses for Qualification Renewal that should be completed within 180 days from the Sales Representative Registration Date. Provided, however, that this provision shall not apply to those persons prescribed in the Detailed Rules.

3. The Association shall suspend the effectiveness of Sales Representative Qualification for persons who have not completed the Training Courses for Qualification Renewal within the period prescribed in the preceding two Paragraphs one day after the last day of such period (hereinafter referred to as “Due period of Obligatory Participation” in this Article), and notify it to the Association Member he/she belongs to.

4. If the effectiveness of Sales Representative Qualification of the person is suspended prescribed in the preceding Paragraph, an Association Member must not have the person conduct the Business of Sales Representative until such a suspension is released.

5. An Association Member must make efforts to have the person who has not completed the

Training Courses for Qualification Renewal by the Due Period of Obligatory Participation participate in the Training Courses for Qualification Renewal that should be completed within 180 days from one day after the Due Date of Obligatory Participation (hereinafter referred to as “Grace Period” in this Article).

6. The Association shall release the suspension of the effectiveness of Sales Representative Qualification for the person who completed the Training Courses for Qualification Renewal prescribed in the preceding Paragraph on the completion day and notify it to the Association Member he/she belongs to.

7. The Association shall revoke all of the Sales Representative Qualifications of the person who did not complete the Training Courses for Qualification Renewal during the Grace Period (including cases where the registration of Sales Representative is deleted during the Grace Period) one day after the last day of the Grace Period, and notify it to the Association Member he/she belongs to.

8. How to conduct the Training Courses for Qualification Renewal shall be determined by the Association.

9. Provisions in Article 6, Paragraphs 1 and 3, and Article 7, Paragraphs 1 to 3 and Paragraph 5 of the Examination Rules shall apply *mutatis mutandis* to the Training Courses for Qualification Renewal. In this case, “Examination” in each provision shall be read as “Training Courses for Qualification Renewal”, “Examination participation procedure” as “Course participation procedure”, “Examination fee” as “Course fee”, “Committee” as “the Association”, “Unfair examination participant” as “Unfair course participant”, “Failure” as “Incompletion”, “Examination participation” as “Course participation”, “Unfair examination participation” as “Unfair course participation”, and “Examination participant” as “Course participant”, respectively.

(Participation in Internal Training Courses)

Article 19 An Association Member must have its registered Sales Representatives participate in internal training courses every year for the purpose of improving the quality and capability of its Sales Representatives besides the Training Courses for Qualification Renewal.

SUPPLEMENTARY PROVISIONS [Omitted]

(Note) These Rules are based on the version in effect as of January 1, 2018.

<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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