

RULES CONCERNING REPRESENTATION OF ADVERTISING, ETC. AND OFFER OF PREMIUMS

(November 14, 1974)

(Purpose)

Article 1 The purpose of the Rules Concerning Representation of Advertising, Etc. and Offer of Premiums (hereinafter referred to as “Rules”) is, with respect to representation of advertising and offer of premiums made by an Association Member, to ensure appropriate representation of advertising and offer of premiums by prescribing representations, methods, matters to be observed, etc., thereby contributing to 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) Specified Over-the-Counter Transactions of Derivatives, etc. ;
Specified Over-the-Counter Transactions of Derivatives, etc. prescribed in Article 3, Item 7 of the Articles of Association;

(2) Representation of Advertising, etc. ;
Representation with regard to the content of the Financial Instruments Business (limited to those which are engaged in the Sale and Purchase or Other Transaction of Securities, etc. as the business pursuant to Article 3, Item 8 of the Articles of Association) that is made by advertising pursuant to Article 37 of the Financial Instrument and Exchange Act (hereinafter referred to as “FIEA”) and actions pursuant to Article 72 of the Cabinet Office Ordinance on the Financial Instruments Business, etc. (hereinafter referred to as “Advertising, etc.”); and

(3) Offer of Premiums;
Things prescribed in Paragraph 1 of the “Designation of Premiums and Representations Pursuant to Article 2 of the Act Against Unjustifiable Premiums and Misleading Representations” (The Fair Trade Commission Notification No. 3 of 1962).

(Basic Principles)

Article 3 Whenever making Representations of Advertising, etc., an Association Member must observe fair and equitable principles of transactions and maintain dignity, as well as endeavor to provide accurate information and make correct and clear representations in the spirit of the protection of investors.

2. Whenever offering premiums, an Association Member must observe fair and equitable principles of transactions, maintain dignity and endeavor to offer premiums in an appropriate manner.

(Prohibited Acts)

Article 4 An Association Member must not make Representation of Advertising, etc. which falls, or is likely to fall, under any of the following Items:

(1) Representation of Advertising, etc. which runs counter to fair and equitable principles of transactions;

(2) Representation of Advertising, etc. which impairs the dignity of the Association Member;

(3) Representation of Advertising, etc. which contains representations that violate the FIEA or other

laws and regulations, etc.;

- (4) Representation of Advertising, etc. which suggests acts of a loophole in the laws;
- (5) Representation of Advertising, etc. which contains representations that may mislead investment decision of an investor;
- (6) Representation of Advertising, etc. which hampers fair competition among Association Members;
- (7) Representation of Advertising, etc. which contains arbitrary or excessively subjective representations; or
- (8) Representation of Advertising, etc. which includes a judgment or evaluation of which the basis is not clearly indicated.

2. When making an Offer of Premiums to its customers, an Association Member must not make an Offer of Premiums which violate or are likely to violate the Act Against Unjustifiable Premiums and Misleading Representations or other laws.

3. An Association Member must not, directly or indirectly, make any third party conduct a Representation of Advertisings, etc. which violates the provisions of Paragraph 1 or make an Offer of Premiums which violates the provision of the preceding Paragraph.

(Internal Examination, Etc. by Association Members)

Article 5 When making a Representation of Advertising, etc. or an Offer of Premiums, an Association Member must appoint an officer in charge of examining the Representation of Advertising, etc. or the Offer of Premiums, (hereinafter referred to as “Advertising Examining Officer”) and make the Advertising Examining Officer examine that there is no violation of the provisions of Article 4, provided however, that those set forth in the following Items shall be excluded:

- (1) Representation of Advertising, etc. to Professional Investors (Professional Investors (excluding customers who are regarded as non-Professional Investors prescribed in Article 34-2, Paragraph 5 of the FIEA, and including customers who are deemed as Professional Investors prescribed in Article 34-3, Paragraph 4 of the same act (including cases where the same provisions apply mutatis mutandis to Article 34-4, Paragraph 6 of the same act)) prescribed in Article 2, Paragraph 31 of the same act); and
- (2) Representation of Advertising, etc. made by a Special Member with regard to the Financial Instruments Intermediary Service Activity as Registered Financial Institutions (acts (excluding those related to the rights that are deemed as the securities under Article 2, Paragraph 2 of FIEA and set forth in each Item of the same Paragraph) set forth in Article 33, Paragraph 2, Item 3 (iii) and Item 4 (ii) of the same Paragraph; the same shall apply hereinafter) that have already been examined by the Advertising Examining Officer of the entrusting Regular Member (a Regular Member that entrusts the Financial Instruments Intermediary Service Activity as Registered Financial Institution to the Special Member).

2. A Regular Member must not appoint any person as the Advertising Examining Officer unless he/she falls under any of the following Items, provided, however, that the Advertising Examining Officer who examines the Representation of Advertising, etc. and the Offer of Premiums concerning the Specified Over-the-Counter Transactions of Derivatives, etc. shall be limited to those who falls under Article 4-2, Paragraph 1, Item 1 of the “Rules Concerning Qualification and Registration, etc. of Sales Representatives of Association Members” (hereinafter referred to as the “Sales Representative Rules”); those who has participated in the Paragraph 1 internal training prescribed in Article 4-2, Paragraph 1, Item 2 and whose training result has been reported to the Association; or those who falls under the provisions of Article 4-2, Paragraph 2, Items 2 and 3 and also falls under any of the Items 1 through 3 below:

- (1) Internal Administration Supervisor;
- (2) Person who passed the Qualification Examination for Regular Member's Sales Manager under the "Rules Concerning Qualification Examination for Securities Sales Representatives, etc." (which were effective before April 1, 2006; the same shall apply hereinafter);
- (3) Person who passed the Qualification Examination for Regular Member's Internal Administrators under the "Rules Concerning Qualification Examination for Securities Sales Representatives, etc." (hereinafter referred to as "Examination Rules"); or
- (4) Other person recognized by the Association as being appropriate to examine the Representation of Advertising, etc. and the Offer of Premiums based on their knowledge, etc.

3. A Special Member must not appoint any person as the Advertising Examining Officer unless he/she falls under any of the following Items, provided, however, that the Advertising Examining Officer who examines the Representation of Advertising, etc. and the Offer of Premiums concerning the Specified Over-the-Counter Transactions of Derivatives, etc. shall be limited to those who fall under Article 4-2, Paragraph 1, Item 1 of the Sales Representatives Rules; those who participated in the Paragraph 1 internal training prescribed in Article 4-2, Paragraph 1, Item 2 and whose training result has been reported to the Association; or those who falls under Article 4-2, Paragraph 2, Items 2 and 3 and also falls under any of the Items 1 through 5 below:

- (1) Internal Administration Supervisor;
- (2) Person who passed the Qualification Examination for Special Member's Sales Manager under the provisions of "Rules Concerning Qualification Examination for Securities Sales Representatives, etc.";
- (3) Person who passed the Qualification Examination for Special Member's Internal Administrators under the provisions of the Examination Rules;
- (4) Person who passed the Qualification Examination for Regular Member's Sales Manager under the "Rules Concerning Qualification Examination for Securities Sales Representatives, etc.";
- (5) Person who passed the Qualification Examination for Regular Member's Internal Administrators under the Examination Rules; or
- (6) Other person recognized by the Association being appropriate to examine the Representation of Advertising, etc. and the Offer of Premiums based on their knowledge, etc.

4. Notwithstanding the provisions of the preceding Paragraph, a Special Member must not appoint any person who does not fall under any of the Items of Paragraph 2 as the Advertising Examining Officer who examines the Representation of Advertising, etc. and the Offer of Premiums concerning the Financial Instruments Intermediary Service Activity as a Registered Financial Institution.

5. A Specified Business Member must not appoint any person as the Advertising Examining Officer unless he/she falls under Article 4-2, Paragraph 1, Item 1 of the Sales Representative Rules; any person who participated in the Paragraph 1 internal training prescribed in Article 4-2, Paragraph 1, Item 2 and whose training result has been reported to the Association; or any person who falls under the provisions of Article 4-2, Paragraph 2, Items 2 and 3 and also falls under any of the following Items:

- (1) Internal Administration Supervisor;
- (2) Person who passed the Qualification Examination for Regular Member's Sales Manager under the provisions of "Rules Concerning Qualification Examination for Securities Sales Representatives, Etc.";

- (3) Person who passed the Qualification Examination for Regular Member's Internal Administrators under the Examination Rules;
- (4) Person who passed the Qualification Examination for Special Member's Sales Manager under the "Rules Concerning Qualification Examination for Securities Sales Representatives, Etc."; or
- (5) Person who passed the Qualification Examination for Special Member's Internal Administrators under the Examination Rules.

(Establishment of Internal Administration System)

Article 6 An Association Member shall establish internal rules on the examination system, examination criteria, and retention system concerning the Representation of Advertising, etc. and the Offer of Premiums for the purpose of appropriate and proper Representation of Advertising, etc. and the Offer of Premiums, disseminate it to all the officers and employees, and thoroughly make them comply with it.

(Investigation of Violation)

Article 7 If the Association determines that the Representation of Advertising, etc. and Offer of Premiums, made by an Association Member or its employee violate or are likely to violate the provisions of Article 3 or 4 hereof, the Association may request that such Association Member submit the relevant materials and may obtain an explanation.

2. An Association Member must reply to the request for submitting materials or making an explanation prescribed in the preceding Paragraph.

(Guidelines Concerning Advertising, Etc.)

Article 8 Matters necessary for Representation of Advertising, etc. made by Association Members which are not prescribed herein shall be prescribed in the "Guidelines Concerning Advertising, etc." separately prepared by the Association.

(Handling of Analyst Reports)

Article 9 Regardless of the provisions of the Rules, handling of analyst reports (analyst reports defined under the "Rules Concerning Handling, etc. of Analyst Reports" (hereinafter referred to as "Analyst Reports Rules")) shall comply with the provision of the "Analyst Reports Rules."

SUPPLEMENTARY PROVISIONS [Omitted]

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

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.
