

RULES CONCERNING SOLICITATION, ETC. OF SALE AND PURCHASE, ETC. OF DOMESTIC CPs ETC. AND PRIVATE PLACEMENT CORPORATE BONDS

(June 19, 1998)

Chapter 1. General Provisions

(Purpose)

Article 1 The purpose 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 “Rules”) is to define necessary matters for sale and purchase or other transactions (hereinafter referred to as “Sale and Purchase Transactions, etc.”) of domestic CPs, etc. and private placement corporate bonds conducted by Association Members, thereby contributing to the protection of investors.

(Compliance with Laws and Regulations, Rules, etc.)

Article 2 When conducting Sale and Purchase Transactions, etc., of Domestic CPs, etc., and Private Placement Corporate Bonds with customers or other Association Members, an Association Member must comply with the Financial Instruments and Exchange Act (hereinafter referred to as the “FIEA”) and other related laws and regulations, rules, etc. in addition to these Rules.

(Definitions)

Article 3 In these Rules, the definitions of the terms set forth in each of the following Items shall be prescribed therein:

- (1) Domestic CPs;
Among promissory notes set forth in Article 2, Paragraph 1, Item (15) of the FIEA, and securities or certificates that are set forth in the same Paragraph, Item (17) which have the nature of a promissory note as set forth in the same Paragraph, Item (15) thereof, those which shall be issued in Japan.
- (2) Short-Term Corporate Bonds, etc.;
Short-term corporate bonds as set forth in Article 66, Item (1) of the Act on Book-Entry Transfer of Company Bonds, Shares, etc.; short-term foreign bonds as set forth in Article 10-11, Paragraph 2 of the Order on Book-Entry Transfer of Company Bonds, Shares, etc. and also included in the category of the foreign bonds under the book-entry transfer as set forth in Article 66 of the same Act (except for Item (1)) that is applied mutatis mutandis to Article 127 of the same Act; short-term corporate bonds as set forth in Article 61-10, Paragraph 1 of the Insurance Business Act; specified short-term corporate bonds as set forth in Article 2, Paragraph 8 of the Act on Securitization of Assets; short-term investment corporation bonds as set forth in Article 139-12, Paragraph 1 of the Act on Investment Trusts and Investment Corporations (hereinafter referred to as “Short-Term Investment Corporation Bonds”); short-term bonds as set forth in Article 54-4, Paragraph 1 of the Shinkin Bank Act (hereinafter referred to as “Short-Term Bonds”); and short-term Norinchukin Bank bonds as set forth in Article 62-2, Paragraph 1 of the Norinchukin Bank Act (hereinafter referred to as “Short-Term Norinchukin Bank Bonds”).
- (3) Domestic CPs, etc.;
Domestic CPs and Short-Term Corporate Bonds, etc.;
- (4) Private Placement;
Solicitation for application for the offering of newly issued securities that falls under the provisions of Article 2, Paragraph 3, Item (2)(a), (b) and (c) of the FIEA.
- (5) Private Placement Corporate Bonds;

Securities that are issued in Japan under the private placement and that also meet the following requirements;

- (a) Securities as set forth in Article 2, Paragraph 1, Items (4) and (5) of the FIEA (excluding corporate bonds with share options and Short-Term Corporate Bonds, etc.), and securities as set forth in the same Paragraph, Item (17) and that have the nature as set forth in the same Paragraph, Items (1) through (5) (excluding corporate bonds with share options and Short-Term Corporate Bonds, etc.);
- (b) Investment Corporation Debentures as set forth in Article 2, Paragraph 1, Item (11) of the FIEA.

(Compliance Issues)

Article 4 When an Association Member solicits Sale and Purchase Transactions, etc. of domestic CPs, etc. and Private Placement Corporate Bonds to a customer, it shall exercise due care and ensure that the investment is made in accordance with such customer's investment experience and financial situation.

(In Case of Solicitation of Sale and Purchase Transactions, etc. of Foreign Securities)

Article 5 When soliciting Sale and Purchase Transactions, etc. of domestic CPs and Private Placement Corporate Bonds that fall under the provisions of the "Rules Concerning Foreign Securities Transactions" (hereinafter referred to as the "Foreign Securities Rules"), the solicitation shall be made pursuant to the Foreign Securities Rules.

Chapter 2. Solicitation, etc. of Sale and Purchase Transactions, etc. of Domestic CPs

(In Case of Solicitation for Domestic CPs, etc.)

Article 6 When an Association Member solicits an application for sale or purchase (hereinafter referred to as "Solicitation") of domestic CPs, etc. (excluding Short-Term Bonds and Short-Term Norinchukin Bank Bonds), it shall make an effort to fully explain to the customer the issuer information and securities information by delivering, upon the customer's request, the "Explanatory Note on Issuers, etc." as set forth in an agreement on sale and purchase, executed between the issuer and the Association Members.

(In case of Sale without Solicitation)

Article 7 When an Association Member sells or intermediates of the sale (including intermediary for entrustment) of domestic CPs, etc. (excluding Short-Term Investment Corporation Bonds, Short-Term Bonds, and Short-Term Norinchukin Bank Bonds) to customers without Solicitation, it must properly manage the order, such as creating a record describing that the order is placed based on the customer's intention, and retaining such record. Provided, however, that this provision shall not apply if the order for purchase from the customer is placed through another Association Member or a Financial Instruments Intermediary Service Provider, or if the order is placed based on the Solicitation of another Association Member or a Financial Instruments Intermediary Service Provider.

(Reporting and Publication of Transaction Summary, etc.)

Article 8 An Association Member shall report the transaction summary, etc. of Short-term Corporate Bonds, etc. to the Association using the prescribed form.

2. The Association shall publicize the transaction summary of Short-term Corporate Bonds, etc. that was reported by the Association Members pursuant to the preceding Paragraph.

Chapter 3. Solicitation, etc. of Sale and Purchase Transactions, etc. of Private Placement Corporate Bonds

(In case of Solicitation)

Article 9 When an Association Member conducts the handling business of Private Placement Corporate Bonds, it shall make an effort to fully explain the issuer information and securities information to customers and other Association Members by delivering, upon request of the customer or other Association Members, the materials describing the issuer information and securities information prepared by the issuer.

2. When an Association Member conducts Sale and Purchase Transactions, etc. of Private Placement Corporate Bonds (excluding those under the handling business set forth in the preceding Paragraph) and if an issuer of a Private Placement Corporate Bond promises, in accordance with a summary of corporate bond issuance of the issuer of such Private Placement Corporate Bonds, to provide the issuer information and securities information of such Private Placement Corporate Bonds to the holder of Private Placement Corporate Bonds or the expected purchasers who are designated by such holder directly or through the holder, the Association Member shall make an effort to fully explain the issuer information and securities information by delivering, upon request of the customer or other Association Members, the materials that describe such information (including that disclosed pursuant to the FIEA).

(In case of Sale without Solicitation)

Article 10 When an Association Member sells or intermediates the sale of Private Placement Corporate Bonds to customers without Solicitation (including the case of intermediary for entrustment), it must properly manage the order, such as creating a record describing that the order is placed based on the customer's intention, and retaining such record. Provided, however, that this provision shall not apply if the order for purchase from the customer is placed through another Association Member or a Financial Instruments Intermediary Service Provider, or if the order is placed based on the Solicitation of another Association Member or a Financial Instruments Intermediary Service Provider.

(Reporting and Publication of Transaction Summary, etc.)

Article 11 An Association Member shall report the transaction summary, etc. of Private Placement Corporate Bonds to the Association using the prescribed form.

2. The Association shall publicize the transaction summary of Private Placement Corporate Bonds that was reported by the Association Member pursuant to the preceding Paragraph.

SUPPLEMENTARY PROVISIONS [Omitted]

(Note) This rule is based on the January 1, 2017 edition of the original Japanese text.

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.
