

# **RULES CONCERNING HANDLING OF CUMULATIVE STOCK INVESTMENT AND MINI INVESTMENT IN STOCKS**

(September 27, 1995)

## **Chapter 1 GENERAL PROVISIONS**

### **(Purpose)**

**Article 1** The purpose of the Rules Concerning Handling of Cumulative Stock Investment and Mini Investment in Stocks (hereinafter referred to as the “Rules”) is to prescribe matters that should be complied with for execution of sale and purchase and other transactions, settlement of sale and purchase price, management of securities certificates, and processing of rights, on joint purchasing cumulative investment of stocks that are conducted with the conclusion of an cumulative investment contract prescribed in Article 35, Paragraph(1), Item (vii) of the Financial Instruments and Exchange Act (hereinafter referred to as “Cumulative Stock Investment”), and on the sale and purchase transactions of stocks by means of fixed method whose amount is less than one trading unit prescribed by a financial instruments exchange and that are selected by Regular Members, through the book entry transfer system of stocks at Japan Securities Depository Center, Inc. (hereinafter referred to as “JASDEC”) (hereinafter referred to as “Mini Investment in Stocks”), thereby contributing to the protection of investors.

### **(Compliance Issues)**

**Article 2** When conducting an Cumulative Stock Investment and Mini Investment in Stocks with a customer, a Regular Member must comply with both domestic laws and regulations, and rules, and resolutions of the Association, the financial instruments exchanges where such issue is listed, and JASDEC.

### **(Conclusion of Contract)**

**Article 3** When a Regular Member receives an order from a customer for an Cumulative Stock Investment or a Mini Investment in Stocks, the Regular Member must conclude with the customer a transaction agreement under the general contract on Cumulative Stock Investment (hereinafter referred to as “General Contract on Cumulative Stock Investment”) or the General contract on Mini Investment in Stocks (hereinafter referred to as “General Contract on Mini Investment in Stocks”) which is to be prepared between the Regular Member and the customer.

2. When a Regular Member concludes with a customer a contract on Cumulative Stock Investment or Mini Investment in Stocks prescribed in the preceding Paragraph, the Regular Member must deliver the General Contract on Cumulative Stock Investment or the General Contract of Mini Investment in Stocks to the customer in advance.
3. Notwithstanding the preceding two Paragraphs, in the case where a Regular Member receives an order for an Cumulative Stock Investment or a Mini Investment in Stocks from another Regular Member, the Regular Member receiving the order must execute a contract on Cumulative Stock Investment or Mini Investment in Stocks with the Regular Member submitting the order.
4. In substitution for the delivery of the General Contract on Cumulative Stock Investment or the General Contract of Mini Investment in Stocks pursuant to Paragraph 2, based on the “Rules Concerning Handling of Documents Delivery, etc. through Electromagnetic Methods” a Regular Member may use

methods employing electronic information processing systems or other information technologies for delivery of items that should be described in such General Contracts. In this case, the Regular Member will be regarded as having delivered the general contract.

## **Chapter 2 CUMULATIVE STOCK INVESTMENT**

### **(Purchase Method, etc.)**

**Article 4** When a purchase order is executed using a deposit due to the payment by the customer, the transaction must be made properly pursuant to each Item below:

- (1) When a purchase order is executed through a financial instruments exchange market, the transaction shall be continuously performed under a certain plan and not based on individual investment decisions.
- (2) When a purchase order is executed on a one-time trade in response to the purchase order within a branch, the transaction shall be continuously performed under a certain plan and not based on individual investment decisions, and it shall be on the pre-defined execution date of the purchase order based on the pre-defined price of the financial instruments exchange market.
- (3) In the case where the price pre-defined in the preceding Item is determined based on the price in the financial instruments exchange market, it shall be within a range of the best quotation price or the trading-volume weighted average price in such financial instruments exchange market at a certain timing.

### **(Amount Paid)**

**Article 5** The maximum purchase amount of an issue by a customer under the Cumulative Stock Investment contract executed between a Regular Member and a customer shall be less than a million yen.

### **(Sale)**

**Article 6** When a Regular Member receives an application for sale from a customer, the Regular Member must execute the transaction on a price at a certain timing in the pre-defined financial instruments exchange market on the pre-defined execution day of such sell order.

2. In the case where the price pre-defined in the preceding Paragraph is determined based on the price in the financial instruments exchange market, it must be within a range of the best quotation price or the trading-volume weighted average price in such financial instruments exchange market at a certain timing.

### **(Segregated Management of Proprietary Shares in Cumulative Stock Investment)**

**Article 7** A Regular Member must manage stocks that are jointly owned by several customers (including the Regular Member in the case where the stocks are jointly purchased by the customer and such Regular Member) separately from other securities, and manage the shares of customers and dividends in proportion to such shares of each customer in the account set up specifically for each individual customers.

2. A Regular Member must segregate and manage their proprietary share certificates in Cumulative Stock Investment unit depending on whether it is their proprietary share certificates or their customer's share

certificates.

3. A Regular Member must segregate and manage share certificates that are jointly held with a customer from its proprietary share certificates in those other than in the Cumulative Stock Investment unit.
4. In the case where share certificates are to be transferred between the Cumulative Stock Investment unit and other units in sale and purchase transactions under Cumulative Stock Investment, a Regular Member must conduct such transfer in a single trading unit pursuant to the rules prescribed by the financial instruments exchange.

### **Chapter 3 MINI INVESTMENT IN STOCKS**

#### **(Transaction Unit in Mini Investment in Stocks)**

**Article 8** The transaction unit of Mini Investment in Stocks conducted between a Regular Member and a customer shall be the one prescribed in the relevant Item below.

- (1) The transaction unit shall be a share of share certificate of one-tenth of the trading unit prescribed by a financial instruments exchange (hereinafter referred to as the “Transaction Unit”).
- (2) The maximum number of stocks of the same issue that are commissioned by a customer on the same business day shall be limited to the number of units calculated by multiplying 1 Transaction Unit by 9.
- (3) Notwithstanding the provisions in Item (1), when selling share certificates in Mini Investment in Stocks, whose quantity is less than one Transaction Unit due to stock consolidation, capital decrease, stock split, or gratis issue, a Regular Member may conduct a transaction with the actual number of stocks.

#### **(Handling Issues)**

**Article 9** A Regular Member shall select issues for Mini Investment in Stocks (hereinafter referred to as “Selected Issues”) from those whose share certificates are listed in a financial instruments exchange market and which adopt the unit share system.

#### **(Transaction Method)**

**Article 10** In the case where a Regular Member receives an order for a Mini Investment in Stocks from a customer or another Regular Member, the Regular Member receiving the order must conduct sales and purchase on a negotiated basis with the said customer or other Regular Member; provided, however, that the Regular Member receiving the order must conduct sales and purchase on an intermediary basis with an agent or other Regular Member designated by the Regular Member (hereinafter referred to as the “Designated Regular Member”) if the share certificate in the customer’s order is issued by the Regular Member or its parent company.

2. Notwithstanding the provisions in the preceding Item, a Regular Member may delegate another Regular Member to execute a customer’s order for Mini Investment in Stocks on an intermediary, brokerage, or agency basis.
3. When a Regular Member receives a sale and purchase order for share certificates from a customer who holds the outstanding described or recorded in their account for Mini Investment in Stocks, the

Regular Member must not execute the order in other than the negotiated trade; provided, however, this provision does not apply if it falls under the proviso of Paragraph 1.

#### **(Segregated Management of Proprietary Shares in Mini Investment in Stocks)**

**Article 11** A Regular Member must manage share certificates in Mini Investment in Stocks under such Regular Member's bookkeeping unit for the share certificates in Mini Investment in Stocks (hereinafter referred to as "Unit of Mini Investment in Stocks") among share certificates managed in the account JASDEC sets up.

2. A Regular Member must segregate and manage share certificates in Unit of Mini Investment in Stocks depending on whether it is its proprietary share certificates or its customer's share certificates.
3. A Regular Member must segregate and manage its proprietary share certificates depending on whether or not it's of Unit of Mini Investment in Stocks.
4. In the case where share certificates are to be transferred between the Unit of Mini Investment in Stocks and other units in sale and purchase transactions under Mini Investment in Stocks, a Regular Member must conduct such transfer in a single trading unit pursuant to the rules prescribed by the financial instruments exchange.

#### **(Handling of Outstanding Trading Account Securities)**

**Article 12** When a Regular Member conducts transactions under Mini Investment in Stocks with a customer, the Regular Member must not offset share certificates in Mini Investment in Stocks with the following.

- (1) Share certificates held as trading account securities;
- (2) Share certificates held as investment securities;
- (3) Share certificates under Cumulative Stock Investment;
- (4) Share certificates of a customer that is not under Mini Investment in Stocks.

#### **(Prohibition of Joint Account Transaction)**

**Article 13** A Regular Member must not conduct a transaction in Mini Investment in Stocks under a joint account with other Regular Members or customers.

#### **(Execution Date and Delivery Date)**

**Article 14** The execution date of transactions in Mini Investment in Stocks shall be the next business day from the date when a customer places an order (hereinafter referred to as the "Order Date").

2. The delivery date shall be the third business day from the execution date.

#### **(Execution Price)**

**Article 15** The execution price in Mini Investment in Stocks executed between a Regular Member and a customer must be determined based on the price in a pre-defined financial instruments exchange market on the execution date.

2. In the case where the price prescribed in the preceding Item is determined based on the price in the

financial instruments exchange market, it must be within a range of the best quotation price or the trading-volume weighted average price in such financial instruments exchange market at a certain timing.

**(Relationship with a Book-Entry Transfer Account)**

**Article 16** Regardless of whether or not a request is received from a customer, when the number of stocks described or recorded in an account of customer for Mini Investment in Stocks by each customer reaches the one trading unit of such issue, a Regular Member must transfer such issue whose number of stocks is the multiple number(s) of its trading unit by each customer on the date when the rights are fixed pursuant to Article 124, Paragraph 1 of the Companies Act (hereinafter referred to “Fixed Date”), such as the end of the business term of the issuing company of the Selected Issues, to the book-entry transfer account of such customer under Mini Investment in Stocks.

2. A Regular Member must exclude the number of stocks transferred pursuant to the preceding Paragraph from those covered by the General Contract of Mini Investment in Stocks, and may not conduct a transaction of these stocks in Mini Investment in Stocks.
3. A Regular Member must not receive a sell for share certificate of a customer that are not held under Mini Investment in Stocks for the transaction in Mini Investment in Stocks.

**Chapter 4 MISCELLANEOUS PROVISIONS**

**(Application of Sale and purchase Restrictions on a *Mutatis Mutandis* Basis)**

**Article 17** When a Regular Member conducts transactions in Mini Investment in Stocks with a customer, the Regular Member must comply with provisions in business regulations prescribed by a financial instruments exchange and provisions relating to sale and purchase transactions prescribed in by-laws on commissioned business contracts.

**(Establishment of Internal Rules)**

**Article 18** When a Regular Member handles Cumulative Stock Investment or Mini Investment in Stocks, the Regular Member must establish internal rules on Cumulative Stock Investment or Mini Investment in Stocks.

**SUPPLEMENTARY PROVISIONS [Omitted]**

(Note 1) These Rules as based on the version in effect as of January 1, 2020.

(Note 2) 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.