

# **RULES CONCERNING SOLICITATION FOR INVESTMENTS AND MANAGEMENT OF CUSTOMERS, ETC. BY ASSOCIATION MEMBERS**

**(February 19, 1975)**

## **(Purpose)**

**Article 1** The purpose of the Rules Concerning Solicitation for Investments and Management of Customers, Etc. by Association Members (hereinafter referred to as “Rules”) is to ensure appropriate solicitation and management of customers, etc. by Association Members for the sale and purchase or other transactions of securities, etc.

## **(Definitions)**

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

- (1) Securities: Securities prescribed in the provisions of Article 3, Item 1 of the Articles of Association;
- (2) Sale and Purchase or Other Transactions of Securities, etc.: Sale and Purchase or Other Transaction of Securities, etc. prescribed in the provisions of Article 3, Item 8 of the Articles of Association;
- (3) Securities-Related Derivatives Transactions, etc.: Securities-Related Derivatives Transactions, etc. prescribed in the provisions of Article 3, Item 4 of the Articles of Association;
- (4) Specified OTC Derivatives Transactions, etc.: Specified OTC Derivatives Transactions, etc. prescribed in the provisions of Article 3, Item 7 of the Articles of Association;
- (5) Margin Transactions: Margin Transactions prescribed in the provisions of Article 156-24, Paragraph 1 of the Financial Instruments and Exchange Act (hereinafter referred to as “FIEA”);
- (6) Securities Option Transactions: Transactions related to the Securities as set forth in Article 2, Paragraph 21, Item 3 of the FIEA;
- (7) Complex Structured Bonds Similar to OTC Derivatives Transactions: Structured bonds whose redemption or interest conditions are determined by the derivatives transaction prescribed in Article 2, Paragraph 20 of the FIEA or commodity derivatives transactions prescribed in Article 2, Paragraph 15 of the Commodity Derivatives Act, or a method that has an effect similar to those of the above two, and that fall under any of the following; provided, however, that if the bonds are government securities, or if the bonds meet any of the following criteria due to the deterioration of credit condition of the issuer of such bond or, in the case such bond has a structure to reflect the credit condition of a single entity, such bonds shall be excluded;
  - (a) The redemption price can be less than the face value (excluding those structured such that the fluctuation rate of redemption price is consistent with the value that is calculated by multiplying the change rate of a specific indicator or price (hereinafter referred to as “Base Indicator”) throughout the period from issuance to redemption by a pre-defined value (limited to one time or minus one time), or there is a condition that the redemption is made with other Securities by the automatic exercise of derivatives transaction;

- (b) Interest is not determined at the time of issuance, and the currency used for redemption payment and that used for purchase payment are different (excluding those structured such that the fluctuation of interest is consistent with the change rate of interest indicator);
  - (c) Interest is not determined at the time of issuance, and the currency used for interest payment and that used for purchase payment are different (excluding those structured such that the fluctuation of interest is consistent with the change rate of interest indicator);
  - (d) Interest becomes zero or very close to zero depending on the conditions (excluding those structured such that the fluctuation of interest is consistent with the change rate of interest indicator).
- (8) Complex Investment Trust Similar to OTC Derivatives Transactions: Investment trust that will have the same product nature or effects as those of Complex Structured Bond Similar to OTC Derivatives Transactions by investing in such structured bonds;
  - (9) Leveraged Investment Trust: Investment trust that is managed to match the change rate of net asset value per unit of the investment trust assets of such investment trust to the value that is calculated by multiplying the change rate of the Base Indicator by a pre-defined factor (limited to two times or minus two times) (excluding those listed in an exchange financial instruments market or a foreign financial instruments market or those to be listed in these markets, and those fall under the preceding Item).
  - (10) Tokenized Securities:  
Of the securities prescribed in Item (1) of this Article, those that fall under the “Electronically Recorded Transfer Rights to Be Indicated on Securities, etc.” as prescribed in Article 1, Paragraph 4, Item 17 of the Cabinet Office Ordinance on Financial Instruments Business, etc. (hereinafter referred to as “FIBCOO”).

**(General Principle)**

**Article 3** An Association Member must, in carrying out its business, always put the best interests of the investors before everything else in business activities, giving top priority to securing the confidence of the investors and complying with the FIEA, other laws and regulations.

- 2. An Association Member must endeavor to solicit investments that meet customers' intentions and actual situation, by fully understanding the customers' investment experience, purpose of investment, financial condition, etc.
- 3. When conducting sale of Securities, etc. (including Securities, Securities-Related Derivatives Transactions, etc., Specified OTC Derivatives Transactions, etc. and Brokerage, etc. for Commodity-Related Market Transactions of Derivatives, (as set forth in Article 3, Item 10 of the Articles of Association; the same shall apply hereinafter); the same shall apply hereinafter) that are new for an Association Member (including new Securities-Related Derivatives Transactions, etc., new Specified OTC Derivatives Transactions, etc. and new Brokerage, etc. for Commodity-Related Market Transactions of Derivatives,; the same shall apply hereinafter), the Association Member shall fully understand the characteristics and risks of such Securities, etc. and shall not sell them if the Association Member cannot identify customers who are suitable for such Securities.
- 4. An Association Member must endeavor to adequately explain and have the customer understand the essential matters of Sale and Purchase or Other Transactions of Securities, etc.

**(Ensuring Principle of Self-Responsibility)**

**Article 4** An Association Member shall, in soliciting investments, make customers understand that an investment should be made under their own judgment and responsibility.

**(Maintenance, Etc. of Customer Cards)**

**Article 5** An Association Member shall maintain a customer card containing the matters prescribed in each Item below for those customers who conduct Sale and Purchase or Other Transactions of Securities, etc. (excluding Professional Investor (the Professional Investor prescribed in the provision of Article 2, Paragraph 31 of the FIEA (excluding those who are regarded as Customer other than Professional Investors pursuant to the provision of Article 34-2, Paragraph 5 of the FIEA for the type of contracts set forth in Article 53, Item 1 or 2 of the FIBCOO and including those who are regarded as Professional Investors pursuant to the provisions of Article 34-3, Paragraph 4 of the FIEA (including cases where this shall apply *mutatis mutandis* to Article 34-4, Paragraph 6 of the FIEA) for the type of contracts set forth in Article 53, Item 1 and 2 of the FIBCOO); the same shall apply hereinafter.); the same shall apply in Article 6-2, Article 8, and Article 10 below):

- (1) Name or appellation;
- (2) Address or domicile, and mailing address;
- (3) Date of birth (limited to the cases where the customer is a natural person; the same shall apply in the following Item);
- (4) Occupation;
- (5) Purpose of investment;
- (6) Asset condition;
- (7) Experience of investments;
- (8) Type of transaction;
- (9) Other matters deemed necessary by each Association Member.

2. An Association Member may prepare and retain the customer card using electromagnetic means.

**(Solicitation Commencement Standards)**

**Article 5-2** When soliciting sale (limited to solicitation made by visit or telephone to customers who do not request the solicitation of such sale, and those made at the headquarters, or another sales or business office of an Association Member to customers who do not request the solicitation of such sale) of products set forth in each of the following Items to a customer (limited to individuals and excluding Professional Investors; the same shall apply hereinafter in this Article and the following Article), the Association Member shall establish the solicitation commencement standards for each sale set forth in each of the following Items, and shall not solicit customers who do not meet such standards:

- (1) Sale of Complex Structured Bonds Similar to OTC Derivatives Transactions;
- (2) Sale of Complex Investment Trust Similar to OTC Derivatives Transactions;
- (3) Sale of Leveraged Investment Trust;

- (4) Sales of Corporate Bonds Subject to Rules as prescribed in Article 2, Item 2 of the “the Rules Concerning Dealing, etc. of Private Placement, etc. of Corporate Bonds.” (limited to the cases that meet the Dealing, etc. of Private Placement, etc. as prescribed in Article 2, Item 3).

**(Sale by Solicitation to Aged Customers)**

**Article 5-3** In the case that an Association Member sells securities, etc. to aged customers by solicitation, the Association Member must establish internal rules that include the definition of the aged customers, securities, etc. subject to sale, explanation method, and delivery method, etc. in light of its business type, size, customer distribution and customer attributes, social conditions, and other conditions, and strive to make proper investment solicitation.

**(Transaction Commencement Standards)**

**Article 6** If an Association Member conducts transactions, etc. as set forth in each Item below, it must establish the transaction commencement standards for each transaction and conclude a contract of such transactions, etc. with the customers who meet such standards:

- (1) Margin Transactions;
- (1)-2 Foreign Stock Margin Transactions (foreign stock margin transactions set forth in the provision of Article 2, Item 23 of the Rules Concerning Foreign Securities Transactions (hereinafter referred to as “Foreign Securities Rules”); the same shall apply hereinafter.);
- (2) Sale and Purchases or Other Transactions in share option certificates (including securities or certificates issued by a foreign country or foreign entity that has a nature of share option certificates; and excluding share option certificates in connection with the bonus allotment of share option as prescribed in Article 277 of the Companies Act that are listed or to be listed in a financial instruments exchange market; the same shall apply hereinafter) (excluding sales in the customer account other than the Margin Transactions );
- (3) Sale and Purchase or Other Transactions in investment equity subscription right certificates (including foreign investment securities that are similar to investment equity subscription right certificates; and excluding investment equity subscription right certificates that are related to the gratis allotment of investment equity option prescribed in Article 88-13 of the Act on Investment Trusts and Investment Corporations (hereinafter referred to as the “Investment Trust Act”) and that are currently listed or are to be listed in a Financial Instruments Exchange Market; the same shall apply hereinafter) (excluding sale in the customer account other than the Margin Transactions );
- (4) Securities-Related Derivative Transactions, etc.;
- (5) Specified OTC Derivative Transactions, etc.;
- (6) Brokerage for Commodity-Related Market Transactions of Derivatives, etc.;
- (7) Sale and Purchases or Other Transactions in Over-The-Counter Handled Securities (Over-The-Counter Handled Securities prescribed in the provisions of Article 2, Item 4 of the “Rules Concerning Over-The-Counter Securities (hereinafter referred to as “OTC Securities Rules”) (excluding sales in the customer account other than Margin Transactions );
- (8) Transactions, etc. related to Equity-based Crowdfunding Business prescribed in Article 2, Item 2 of the Rules Concerning Equity-based Crowdfunding Business;
- (9) Transactions, etc. for Shareholders Community Issues prescribed in Article 2, Item 5 of the Rules

Concerning Shareholders Community;

- (10) Sale and Purchase or Other Transactions in Tokenized Securities (excluding sales in the customer account other than Margin Transactions); and
  - (11) Other transactions deemed necessary by each Association Member (excluding the sale of securities in the customer account other than Margin Transactions).
2. The transaction commencement standards prescribed in the preceding Paragraph must be established with respect to the investment experience of the customer, the assets of the customer under custody for safekeeping, and other matters deemed necessary by each Association Member.

**(Delivery, Etc. of Alert Documents)**

**Article 6-2** When an Association Member enters into a contract with a customer on sale of securities, etc. that are set forth below, it must deliver an alert document to the customer in advance; Provided, however, that this provision shall not apply if the Association Member has delivered to the customer an alert document relating to the sale of securities, etc., that are similar to those to be sold this time within one year before executing a contract of sale of securities, etc., set forth in Items 1 through 3, or if the customer agrees not to receive the prospectus pursuant to the provision of Article 15, Paragraph 2, Item 2 of the FIEA.

- (1) Securities-Related Derivatives Transactions, etc. (excluding transactions that are prescribed in Article 116, Paragraph 1, Item 3 (a) or (b) of the FIBCOO);
  - (2) Specified OTC Derivatives Transactions, etc.;
  - (3) Brokerage for Commodity-Related Market Transactions of Derivatives, etc.;
  - (4) Complex Structured Bonds Similar to OTC Derivatives Transactions;
  - (5) Complex Investment Trust Similar to OTC Derivatives Transactions.
2. The alert document prescribed in the preceding Paragraph must clearly and correctly indicate the following matters:
- (1) The fact that the “no solicitation without a request” rule applies, if applicable;
  - (2) Alert to associated risks;
  - (3) The fact that a customer can use a complaint processing and dispute resolving framework provided by a designated dispute resolving organization (the designated dispute resolving organization prescribed in Article 156-38, Paragraph 1 of the FIEA; the same shall apply hereinafter in this Article) that conducts the dispute resolving business (the dispute resolving business prescribed in Article 156-38, Paragraph 11 of the FIEA; the same shall apply hereinafter in this Article) relating to the sale of securities set forth in each Item of the preceding Paragraph, and the contact information of such designated dispute resolving organization; and
  - (4) The fact that a customer can use a complaint processing and dispute resolving framework provided by a designated dispute resolving organization (excluding the designated dispute resolving organizations prescribed in Item 3) that conducts the dispute resolving business relating to the sale of securities set forth in each Item of the preceding Paragraph or a specified nonprofit corporation “Financial Instruments Mediation Assistance Center (FINMAC)” to which the Association delegates the complaint and dispute resolving business as prescribed in Article 78-2, Paragraph 1

of the Articles of Association, and the contact information on such organizations (limited only to the case where there is no designated dispute resolving organization as prescribed in Item 3).

3. When entering into a contract on sale of securities set forth in each Item of Paragraph 1 with a customer, an Association Member must explain the matters set forth in each Item of the preceding Paragraph in advance in a manner and to an extent necessary to enable the customer to understand such matters in light of knowledge, experience, and assets of the customer and the purpose of entering into the contract.
4. If an Association Member enters into a contract of sale of securities within one year from the date of delivery of an alert document (including the date when the alert document is deemed to have been delivered) for securities that are similar to the securities to be sold this time (limited to those set forth in Paragraph 1, Item 1 and Items 3 through 5 (for those set forth in Item 1, excluding the OTC derivatives transactions, etc. prescribed in Article 3, Item 5 of the Articles of Association)), the alert document shall be regarded to be delivered on such contract execution date, and the provision in the proviso of Paragraph 1 shall apply.

#### **(Confirmation upon Accepting an Order for Margin Transactions)**

**Article 7** Each time an Association Member accepts an order from its customer for Margin Transactions (excluding Foreign Stock Margin Transactions; the same shall apply in Article 12), it must confirm which type of transactions the customer intends to conduct; namely, whether it relates to standardized margin transactions (including PTS Standardized Margin Transactions set forth in Article 2, Item 11 of the Rules Concerning Sale and Purchase, Etc. of the Listed Share Certificates, Etc. Conducted Outside of a Financial Instruments Exchange Market) or negotiable margin transactions (including PTS Negotiable Margin Transactions set forth in Article 2, Item 12 thereof), etc.

2. When a Regular Member accepts an order from its customer for Foreign Stock Margin Transactions, it must comply with the provision of Article 42 of the Foreign Securities Rules.

#### **(Collection of the Confirmation Document from the Customer)**

**Article 8** When an Association Member enters into a contract with a customer for Sales and Purchases or Other Transactions in share option certificates, investment equity subscription right certificates, or covered warrants (excluding sales in the customer account other than Margin Transactions) or for Securities-Related Derivatives Transactions, etc., Specified OTC Derivatives Transactions, etc. or Brokerage for Commodity-Related Market Transactions of Derivatives, etc. for the first time, it shall obtain a confirmation document regarding such transactions, etc. from the customer in order to ensure that the customer understands the risks involved in the financial instruments transaction, fees, and other details described in the documents related to such a contract that are set forth in the provisions of Article 117, Paragraph 1, Item 1 (a) through (d) of the FIBCOO (hereinafter referred to as “Documents to be Delivered prior to Conclusion of Contract”) as well as to confirm that the transaction is made according to the customer’s own judgment and responsibility.

2. When an Association Member enters into a contract with a customer for Sale of OTC Derivatives Transactions, etc. (meaning the Over-the-Counter Transactions of Derivatives, etc. prescribed in Article 3, Item 5 of the Articles of Association, and limited to Securities-Related Derivatives Transactions (excluding transactions that fall under all the requirements in Article 3, Items 1 (a), (c), and (d) of “Rules Concerning CFD Transactions” and transactions prescribed in Article 116, Paragraph 1, Item 3 (a) or (b) of the FIBCOO) and Specified OTC Derivatives Transactions, etc.; the same shall apply hereinafter in this Article), it shall obtain a confirmation document on such OTC Derivatives Transactions, etc. from the customer for the purpose of ensuring that the customer understands the matters set forth below and conducts the OTC Derivatives Transactions, etc. on the customer’s own judgment and responsibility:

- (1) Details of important matters set forth in Article 3, Paragraph 4;

- (2) The contract is tradable by the customer in consideration of the loss amount that can be acceptable by the customer and the assumed loss amount based on the amount of possible loss from the contract (including the termination clearance fee (expected amount) due to any early cancellation), and the effect of such loss amount on customer's business management or assets;
  - (3) The contract can work as an effective hedge tool for continuing customer's business operation until the transaction is closed in consideration of the business condition and the competitiveness in the market (limited to the case that such contract with the customer (excluding retail customers) is for hedging purpose);
  - (4) The contract does not make the forecasting of customer's business more difficult (limited to the case where such contract with the customer (excluding retail customers) is for hedging purpose);
  - (5) If the customer does not accept the OTC Derivatives Transactions, etc. that are solicited to the customer, such non-acceptance will not affect loan transactions with the customer in the future (only for the case where the Association Member conducts a loan transaction with such customer (excluding retail customers)).
3. When an Association Member enters into a contract on sale of Complex Structured Bonds Similar to OTC Derivatives Transactions, or Complex Investment Trust Similar To OTC Derivatives Transactions, it shall obtain a confirmation document on such sale from the customer for the purpose of ensuring that the customer understands the matters set forth below and purchases such product in response to such sale on its own judgment and responsibility:
- (1) Details of important matters set forth in Article 3, Paragraph 4;
  - (2) The terms of contract allows the customer to make transactions in consideration of the loss amount that can be acceptable by the customer and the assumed loss amount based on the amount of possible loss from the contract (including the sale proceeds at the time of early sale (expected amount)), and the effect of such amount of loss on the customer's business management or assets;
  - (3) If the customer does not accept Complex Structured Bonds Similar to OTC Derivatives Transactions, or a Complex Investment Trust Similar to OTC Derivatives Transactions, for which said customer is solicited, such non-acceptance will not affect loan transactions with the customer in the future (only for the case where the Association Member conducts a loan transaction with such customer (excluding retail customers)).
- 4 When an Association Member enters into a contract with a customer for Sales and Purchases or Other Transactions in Tokenized Securities (excluding sales in the customer account other than Margin Transactions) for the first time, it shall collect a confirmation document regarding such transactions, etc. from the said customer in order for the customer to understand the essential matters of such transactions of Securities, etc. as set forth in Article 3, Paragraph 4 herein as well as to confirm that such transaction is made according to the customer's own judgment and responsibility.
- 5 When an Association Member intends to conclude a contract related to the Securities-Related Derivative Transactions, etc. that are the Binary Option Transactions, etc. (the Binary Option Transactions, etc. as prescribed in Article 2, Item 7 of the "Rules Concerning Binary Option Transactions") with a customer, the Association Member shall collect the confirmation letter prescribed in Article 12 of the Rules Concerning Binary Option Transactions in lieu of the confirmation document prescribed in Paragraphs 1 and 2.

**(Exceptional Cases for Confirming the Intentions of the Customer)**

**Article 9** In the event that a Special Member conducts financial instruments intermediary service as a registered financial institution (acts set forth in the provisions of Article 33, Paragraph 2, Item 3 (c) and Item 4 (b) of the FIEA (excluding those regarded as the Securities pursuant to the provisions of Article 2, Paragraph 2 of the FIEA and related to the rights as set forth in each Item of the same Paragraph); the same shall apply hereinafter), if either a Regular Member or a Special Member confirms the intention or collects the confirmation document pursuant to the provisions of the preceding two Articles (hereinafter referred to as “Confirmation of Intentions, etc.”), the other Association Member concerned is not required to obtain the Confirmation of Intentions, etc., notwithstanding the provisions in each Article mentioned above.

**(Prevention of Confusion with Deposits, Etc.)**

**Article 10** When a Special Member handles Securities as set forth in the provisions of Article 33, Paragraph 2, Items 1 through 4 of the FIEA (excluding government bonds securities, etc. (the Securities set forth in Article 2, Paragraph 1, Item 1 and 2 of the FIEA, and the Securities set forth in the same Paragraph, Item 3 and Item 5 (limited to those for which the redemption and interest payment are guaranteed by the government); the same shall apply hereinafter) and securities index consisting of government bond securities only) as the Registered Financial Institutions Business prescribed in the provisions of Article 5, Item 3 of the Articles of Association (hereinafter referred to as “Registered Financial Institutions Business”), it must provide the customers with explanations to prevent the customer from mistaking the Securities for deposits, etc. by an appropriate method such as distributing documents or other means, depending on the business methods and based on the knowledge, experience and asset condition of the customer.

2. When a Special Member gives the explanation prescribed in the preceding Paragraph, this must include the matters set forth in each Item below:
  - (1) It is not a deposit, etc. (or not an insurance policy in the case of an insurance company);
  - (2) It is not covered by the insurance payment prescribed in the provisions of Article 53 of the Deposit Insurance Law (or not subject to the contracts for compensation prescribed in the provisions of Article 270-3, Paragraph 2, Item 1 of the Insurance Business Law in the case of an insurance company);
  - (3) It is not covered by the payment to general investors pursuant to Article 79-56 of the FIEA under the Investors Protection Fund prescribed in the provisions of Article 79-21 of the FIEA (limited to cases where a Special Member keeps the Securities for custody);
  - (4) Repayment of the principal is not guaranteed;
  - (5) Party to the contract; and
  - (6) Other matters that are useful to prevent customers from mistaking it for deposits, etc.
3. When a Special Member handles the Securities as set forth in Paragraph 1 in its business outlet or office, the Special Member shall post the matters set forth in the preceding Paragraph, Items 1 to 4 in a location visible by customers using the counters that handle the Securities. Provided, however, when an explanation based on the provision of Paragraph 1 is given before handling the Securities and the documents are delivered or posted (including displayed on screens of tablet terminals, etc.) before the execution of a contract, the posting may be in a location other than the above-mentioned location.

**(Prudent Utilization of Margin Transactions, Share Option Certificates Transactions, Investment Equity Subscription Right Certificates, and Derivatives Transactions, Etc.)**



**Article 11** An Association Member shall operate its business in a prudent manner depending on the scale and actual business of each company in the execution of a contract for Margin Transactions, Sales and Purchases or Other Transactions in share option certificates, investment equity subscription right certificates, Securities-Related Derivatives Transactions, etc., Specified OTC Derivatives Transactions, etc., and Brokerage, etc. for Commodity-Related Market Transactions of Derivatives,, and always restrain itself from pursuing such transactions to an excessive level.

2. An Association Member shall endeavor to adequately understand a customer's open interest, profit and loss, customer margin, assets under custody of the Securities-Related Derivatives Transactions, etc., Specified OTC Derivatives Transactions, etc., and Brokerage, etc. for Commodity-Related Market Transactions of Derivatives, as well as to manage the evaluation of the profits or losses of customers who repeatedly conduct such transactions, etc. in a comprehensive manner.

**(Prevention of Excessive Solicitation, Etc.)**

**Article 12** An Association Member must be prohibited from recommending to its customers the Securities of specific issues or the option related to the Sale and Purchase of such Securities in a concentrated manner, which represents a subjective or arbitrary supply of information.

2. An Association Member shall refrain from soliciting for Margin Transactions (excluding reverse trades for clearing such Margin Transactions) with respect to the issues set forth in each of the following Items for which a financial instruments exchange, an Approved Member (Approved Member set forth in Article 2, Item 5 of the Rules Concerning Sale and Purchase, Etc. of the Listed Share Certificates, Etc. Conducted Outside of a Financial Instruments Exchange Market; the same shall apply hereinafter), or a securities finance company has taken the measures stated therein:

- (1) Issues with respect to which a financial instruments exchange or an Approved Member has restricted or prohibited Margin Transactions; or
- (2) Issues with respect to which a securities finance company has restricted or suspended an application for the use of lending stocks, etc.

3. An Association Member must, when it accepts an order for Margin Transactions from a customer with respect to the issues set forth in each of the Items in the preceding Paragraph or the issues set forth in any of the following Items for which the measures stated therein have been taken by the financial instruments exchange, an Approved Member, or a securities finance company, explain to the customer about the fact that these measures are in effect and the contents thereof:

- (1) Issues with respect to which a financial instruments exchange or an Approved Member has increased the rate of margin for Margin Transactions (including the restrictions on the use of securities in substitution for margin, etc.); or
- (2) Issues with respect to which a securities finance company has issued a notice for alert with respect to the use of lending stock, etc.

4. The explanation pursuant to the preceding Paragraph shall not be necessary for any of the following items:

- (1) The customer conducts an Investment Management Business prescribed in the provision of Article 28, Paragraph 4 of the FIEA;
- (2) The customer's transaction is conducted with the account under the direction of the entity that is conducting the Investment Management Business as referred to in the preceding item;

- (3) The customer himself/herself has given prior indication that the explanation pursuant to the preceding Paragraph will not be necessary and the Association Member recognizes that the said customer sufficiently understands that the issue for which the customer seeks Margin Transaction may be subjected to the measures set forth in the items of Paragraph 2 or the measures set forth in the items of the preceding Paragraph.
5. An Association Member shall refrain from soliciting for securities option transactions with respect to these issues for which a financial instruments exchange has taken measures of restriction or prohibition of the securities option transactions.
6. An Association Member must, when it accepts an order for an securities option transaction from a customer with respect to the issues set forth in the preceding Paragraph or the issues set forth in the following Items for which the measures stated therein have been taken by a financial instruments exchange, explain to the customer about the fact that these measures are in effect and the contents thereof:
  - (1) Issues with respect to which a financial instruments exchange has alerted caution with respect to the open interest related to securities option transactions;
  - (2) Issues with respect to which a financial instruments exchange, relating to securities option transactions, has taken measures for advancing the date on which the margin is offered, increasing the rate of such margin (including the restrictions on the use of securities in substitution for margin, etc.) or accepting a deposit prior to the settlement date of the purchase price.
7. When a Regular Member handles Foreign Stock Margin Transactions, it must comply with the provision of Article 44 of the Foreign Securities Rules.

**(Prohibition of Solicitation of Investment in Over-The-Counter Securities)**

**Article 12-2** An Association Member must not solicit customers to invest in Over-The-Counter Securities (Over-the-Counter Securities prescribed in the provisions of Article 2, Item 1 of the OTC Securities Rules) other than the cases under the provision of the OTC Securities Rules.

**(Prohibition on the Acceptance of Orders for Transactions under a Fictitious Name or Name-Lending)**

**Article 13** Where an order for Sale and Purchase or Other Transactions of Securities, etc. is placed by a customer, any Association Member must not accept such an order knowing that the transaction is being made under a false name.

2. When a customer applies for a name transfer of stocks, any Regular Member must not lend its name.

**(Prohibition of Divulgence, etc., of Information about the Customer)**

**Article 13-2** An Association Member shall not divulge or leak information about the customers (including information about prospective customers and customers of underwriting and investment banks, excluding publicly known information; the same shall apply in the following paragraph).

2. An Association Member must not wrongfully acquire information about a customer of another Association Member or information about a customer of the Financial Instruments Intermediary Service of a Financial Instruments Intermediary Service Provider (Financial Instruments Intermediary Service Provider pursuant to Article 3, Item 9 of the Articles of Association ); and must not use wrongfully acquired information about customers in its business and divulge or leak wrongfully acquired information about customers.

**(Establishment of Internal Administration System to Prevent Transfer of Criminal Proceeds)**

**Article 14** An Association Member shall appoint a person responsible for the notification of doubtful transactions pursuant to the provisions of Article 8, Paragraph 1 of the “Act on Prevention of Transfer of Criminal Proceeds”, and shall endeavor to establish an internal administration system designed to prevent transfer of criminal proceeds and fund provision to terrorist organizations.

**(Maintenance, Etc. of Insider Registration Cards)**

**Article 15** An Association Member must ask any customer that makes a Sale and Purchase, etc. of the specified securities, etc. of a listed company, etc. that are prescribed in the provisions of Article 166 of the FIEA for the first time to submit a form declaring that the customer is categorized into any of the persons listed in each Item below (hereinafter referred to as an “Officer, etc. of a listed company, etc.”), and if the customer is classified as an Officer, etc. of a listed company, etc. based on the declaration, an insider registration card must be prepared before making such a sale and purchase, etc. of the specified securities of a listed company, etc.:

- (1) The following person:
  - (a) A director, accounting advisor, company auditor, or executive officer (hereinafter referred to as an “Officer”) of a listed company, etc.;
  - (b) An executive officer or a supervisory officer of a listed investment corporation, etc. (among listed companies, etc., the investment corporation prescribed in Article 2, Paragraph 12 of the Investment Trust Act;
  - (c) An Officer of an asset management company of a listed investment corporation, etc. (the asset management company prescribed in Article 2, Paragraph 19 of the Investment Trust Act; the same shall apply hereinafter).
- (2) The following person:
  - (a) The Officer of a parent company or of a major subsidiary of a listed company, etc.;
  - (b) An Officer of a major specified related corporation (the major specified related corporation of an asset management company of a listed investment corporation, etc. (the specified related corporation prescribed in Article 166, Paragraph 5 of the FIEA); the same shall apply hereinafter);
- (3) A person who is no longer the person set forth in either of the preceding two Items but one year has not yet passed since his/her resignation;
- (4) The spouse of the person set forth in Item 1 or a person who lives with the person set forth in Item 1;
- (5) An employee or other worker of a listed company, etc. or an asset management company of a listed investment corporation, etc. who is an executive officer (excluding an executive officer of a listed investment corporation, etc.) or in a position equivalent to such an Officer;
- (6) An employee or other worker of a listed company, etc. or an asset management company of a listed investment corporation, etc. who belongs to a section where such a person is highly likely to find out a material fact related to the business of the listed company, etc. as prescribed in the provisions of Article 166 of the FIEA (hereinafter referred to as “Material Fact”) (except for those who are subject to the provisions of the preceding Item);

- (7) An employee or other worker of a parent company or a major subsidiary of a listed company, etc., or a major specified related corporation who is an executive officer or in a position equivalent to such an Officer;
  - (8) An employee or other worker of a parent company or a major subsidiary of a listed company, etc., or a major specified related corporation who belongs to a section where the person is highly likely to know a Material Fact (except for those who are subject to the preceding Item );
  - (9) A parent company or a major subsidiary of a listed company, etc., or a major specified related corporation;
  - (10) A major shareholder of a listed company, etc. (major shareholders who are listed in the latest financial statement, semi-annual financial statement, or quarterly financial statement).
2. An Association Member must describe the following matters in the insider registration card:
    - (1) Name or appellation;
    - (2) Address or domicile, and a mailing address;
    - (3) Date of birth (limited to the case where the customer is a natural person);
    - (4) Company name, title, and section; and
    - (5) Name and issue code of the listed company, etc. in which the customer falls under the Officer.
  3. An Association Member must make a promise with a customer to notify without delay to the Association Member when there is any change in whether the customer is subject to the provisions of each Item of Paragraph 1 or not.
  4. When an Association Member receives the notice of a change pursuant to the provisions of the preceding Paragraph, it must revise the insider registration card without delay.
  5. An Association Member may prepare and retain the insider registration card by electromagnetic means.
  6. If the customer card prescribed in the provisions of Article 5 meets the criteria for matters to be included in the insider registration card prescribed in the provisions of Paragraph 2, an Association Member may also use the customer card as the insider registration card.
  7. An Association Member must develop a system to control and manage insider trading by establishing internal rules on the prevention of insider trading and other means.

**(Reconciliation, Etc. with J-IRISS)**

- Article 15-2** An Association Member must reconcile the name, date of birth, and address of a customer who conducts Sale and Purchase, etc. of the specified securities, etc. of a listed company, etc. prescribed in Article 166 of the FIEA (excluding legal entities; the same shall apply hereinafter in this Article) that are included in a customer card, with the data in J-IRISS (a reconciliation system of the Association) at least once a year.
2. Based on the result of the reconciliation prescribed in the preceding Paragraph, an Association Member must confirm whether the customer is an Officer, etc. of a listed company, etc., and prepare the insider registration card prescribed in the preceding Article without delay.

3. If an Association Member receives information from J-IRISS as a result of the reconciliation prescribed in Paragraph 1, it shall not use such information for any purpose other than the preparation of insider registration card.

**(Establishment of System for Management of Discretionary Trading)**

**Article 16** An Association Member must, in order not to lack in investor protection, impede fair transactions and undermine trust in the Association Member, establish an adequate system for the management of Sale and Purchase or Other transactions of Securities, etc. that are effected on the basis of the contracts set forth in Article 123, Paragraph 1, Item 13 of the FIBCOO (hereinafter referred to as “Discretionary Trading”).

**(Ensuring of Safety of Transactions)**

**Article 17** An Association Member must, in accepting an order from a new customer or a customer for a large-lot transaction, endeavor to ensure the safety of the transaction by such means as having the customer concerned deposit the whole or a part of the money for purchasing securities or securities for sale with the Association Member concerned in advance.

**(Proper Management of Transactions Related to Customers' Orders)**

**Article 18** When an Association Member conducts Sale and Purchase or Other Transactions of Securities, etc., it must clearly distinguish the transactions ordered by customers from the transactions executed on its own account.

2. In Sale and Purchase or Other Transactions of Securities, etc., an Association Member must properly manage the transactions ordered by customers by immediately preparing, keeping and maintaining order slips with respect to the customers' orders and by inputting numbers, etc. designed to distinguish them from transactions conducted on its own account via a terminal.
3. An Association Member must establish internal rules, which prescribe the proper operation and management of a time-recording machine, elimination of improper operation of computers, etc. in order to contribute to the proper management of the transactions ordered by customers set forth in the preceding two Paragraphs.

**(Best Execution Duty)**

**Article 19** An Association Member must develop a system that is sufficient to properly fulfill the best execution duties prescribed in the provisions of Article 40-2 of the FIEA.

**(Provision of Facilities such as Guarantees by Regular Members to their Customers)**

**Article 20** A Regular Member must conduct proper management of the provision of facilities to customers, such as guarantees and mediation, etc. (including all acts, irrespective of the form, by which a Regular Member or its officer or employee takes part in the customer's borrowing of money or securities) incidental to the customer's borrowing of money or securities in relation to Sale and Purchase or Other Transactions of Securities, etc. so that the facilities are not excessive in light of the value of the transaction conducted by the customer and other factors.

**(Prohibition against Provision of Facilities such as Loan Extension by Special Members to Their Customers)**

**Article 21** When a Special Member conducts or solicits the conduct of a transaction related to the

registered financial institution business to a customer, it must not promise to provide any special benefits in connection with loans or guarantees to the customer.

**(Prohibition, Etc. against Automatic Credit Extension by Special Members)**

**Article 22** A Special Member shall not make an automatic credit extension to customers for the purpose of covering losses or putting up an initial margin or additional margin for the transactions related to the Registered Financial Institution Business, and must take the following measures. In addition, a Special Member must not extend any loan that will clearly be used for putting up the initial margin or additional margin:

- (1) A Special Member shall newly set up an exclusive account for securities futures transactions, etc. in JGBs, etc. (transactions set forth in Article 2, Paragraph 21, Item 1 of the FIEA in connection with the Securities as set forth in the provisions of Article 2 of the FIEA, or actions set forth in the provision of Article 2, Paragraph 8, Item 2 or 3 in connection with the transactions mentioned above; the same shall apply hereinafter) (hereinafter referred to as “Account for Bond Futures Transactions”), and shall be prohibited from extending an overdraft to that account; and
  - (2) Any Special Member shall not make an automatic transfer from a person's account with an overdraft to the same person's Account for Bond Futures Transactions.
2. A Special Member must, in order to confirm the customer's intention with respect to the deposit of money in relation to securities futures transactions, etc. in JGBs, etc., appoint in advance a person in charge of the customer concerned in relation to the processing of money deposited into Account for Bond Futures Transactions, and shall have the customer concerned or a treasurer of the customer registered. Each time any money is put into the account, the Special Member shall obtain the customer's prior approval by telephone, etc.
  3. When a Special Member conducts transactions related to the financial instruments intermediary service as a registered financial institution and the outstanding amount in the transaction account opened for the Special Member by the customer is not sufficient, it must not conduct the transactions related to the financial instruments intermediary service by the registered financial institution by making an automatic credit extension or by promising to do so.

**(Thoroughgoing Management of Non-Disclosed Information on Loans, Etc.)**

**Article 23** When a Special Member conducts the financial instruments intermediary service as a registered financial institution, it must develop internal rules to manage and control the non-disclosed information on loans, etc. (that is prescribed in the provisions of Article 1, Paragraph 4, Item 13 of the FIBCOO) of the customer who is an issuer of the Securities and to prevent any unfair transactions associated with such information as well as to thoroughly disseminate them for complete understanding among the officers and employees (including all the staff members who are in charge of such business if the accounting consultant is a corporation; the same shall apply hereinafter) for the purpose of full compliance.

**(Establishment of a System for Customer Management)**

**Article 24** An Association Member must establish internal rules concerning the investigation of a customer, transaction commencement standards, the prevention of excessive solicitation, and the establishment of a management system for Discretionary Trading, etc. for the purpose of ensuring an adequate customer management in Sale and Purchase or Other Transactions of Securities, etc., and ensures that its officers and employees comply with such rules.

2. An Association Member must develop a system to manage customers pursuant to the internal rules

prescribed in the preceding Paragraph, and endeavor to accurately understand the conditions of any Sale and Purchase or Other Transactions of Securities, etc. conducted by the customers and the business activities conducted by its officers and employees.

**(Establishment of System for Management of Insider Trading)**

**Article 25** An Association Member must endeavor to establish the system for management of insider trading by such means as establishing internal rules concerning the management of unpublished information relating to issuing companies which have been acquired in regard to the business operations by its officers and employees, management of customers, and management of the sale and purchase of securities, etc. with a view to preventing insider transactions.

**(Proper Management of Transactions under Trust Accounts)**

**Article 26** An Association Member must accurately understand the situation of customers' transactions utilizing accounts based on trust contracts (including the contracts of specified pecuniary trusts and contracts of specified non-pecuniary trusts), and endeavor to manage them appropriately.

**(Establishment, Etc. of Internal Inspection Rules)**

**Article 27** An Association Member must establish internal rules with respect to the internal inspection and audits concerning observance of the FIEA and other laws and regulations, investment solicitations and customer management, etc., and shall also endeavor to establish the internal control system and operate it properly.

**(Establishment of an Organization to Deal with Customer Complaints and Disputes)**

**Article 28** An Association Member must endeavor to establish an internal administration system by prescribing the departments, etc. to deal with customer complaints and disputes with customers and to deal with them properly.

**(Documents Delivery Using Electromagnetic Methods)**

**Article 29** In substitution for the delivery, etc. of the alert document prescribed in Article 6-2, pursuant to the provisions of Articles 2 and 3 of the "Rules Concerning Handling of Documents Delivery, Etc. through Electromagnetic Methods" (hereinafter referred to as the "Electromagnetic Document Delivery Rules"), an Association Member may use methods employing electronic information processing systems or other information technologies to provide the matters that should be included in the alert document. In such a case, the Association Member shall be regarded as having submitted, etc. such alert document.

2. If an Association Member needs to collect a confirmation document as prescribed in the provisions of Article 8, it may receive the matters that should be described in such a confirmation document in a method using electromagnetic organization or other means using information and telecommunications technologies pursuant to the "Electromagnetic Document Delivery Rules" in exchange for obtaining such documents physically, and in such a case, the Association Member is considered to have collected the said confirmation document.

**SUPPLEMENTARY PROVISIONS [Omitted]**

(Note) This amendment comes into effect as of February 1, 2024.

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.