

RULES CONCERNING INTERNAL ADMINISTRATORS, ETC. OF ASSOCIATION MEMBERS

(March 18, 1992)

(Purpose)

Article 1 The purpose of the Rules Concerning Internal Administrators, Etc. of Association Members is to prescribe the allocation, qualifications, duties, etc. of officers and employees who engage in management in Association Members of the compliance with the Financial Instruments and Exchange Act (hereinafter referred to as “FIEA”) and other laws and regulations, thereby strengthening the internal administration systems of Association Members and contributing to the performance of proper sales activities .

(Registration of Internal Administration Supervisor)

Article 2 An Association Member must appoint one person as Internal Administration Supervisor, submit to the Association without delay an application form for the registration of an Internal Administration Supervisor using the prescribed form, and have the person registered in the register of Internal Administration Supervisors kept at the Association.

2. When an Association Member makes a change in the contents of the application form in the preceding Paragraph, it must submit to the Association an application for the change of Internal Administration Supervisor without delay in a designated form, and register such change.
3. The Association shall, when it has received a registration application or an application for change from an Association Member in accordance with the preceding two Paragraphs and when the person meets the qualification prescribed in the following Article, register the said person in the register of Internal Administration Supervisors.

(Qualifications for Internal Administration Supervisor)

Article 3 Internal Administration Supervisor must be a representative director or a representative executive officer registered who takes charge of internal administration (as for a Regular Member that is a foreign juridical person, the Internal Administration Supervisor shall be a person having the authority corresponding to that of the representative concerned in Japan who is engaged in daily business operations at the said branch office); provided, however, that this shall not apply when any one of the persons prescribed in the Detailed Rules is appointed as Internal Administration Supervisor.

2. An Internal Administration Supervisor of the Specified Business Member must be an officer who is responsible for the internal administration of all the operations conducted by the Specified Business Member in the business prescribed in Article 5, Item 2 (a), (b) or (c) of the Articles of Association (hereinafter referred to as the “Specified Business”). However, this provision shall not apply if a person prescribed in the Detailed Rules is appointed as Internal Administration Supervisor.
3. An Internal Administration Supervisor of the Special Member must be an officer who is responsible for the internal administration of the registered financial institution business (the registered financial institution business prescribed in Article 5, Item 3 of the Articles of Association; the same shall apply hereinafter). However, this provision shall not apply if a person prescribed in the Detailed Rules is appointed as Internal Administration Supervisor.

4. An Association Member must not appoint as the Internal Administration Supervisor a person who is regarded as a Class-1 Perpetrator of an Inappropriate Act by the Association pursuant to the provision of Article 12, Paragraph 1 of the “Rules Concerning Employees of Association Members” (hereinafter referred to as the “Employee Rules”).
5. An Association Member must not appoint as the Internal Administration Supervisor a person who is regarded as a Class-2 Perpetrator of an Inappropriate Act by the Association pursuant to Article 12, Paragraph 1 of the Employee Rules unless five years have passed since the Association made such a decision.
6. An Association Member must not appoint as the Internal Administration Supervisor a person who has received the disciplinary action of revoking sales representative registration pursuant to the provision of Article 11, of the “Rules Concerning Qualification and Registration, Etc. of Sales Representatives of Association Members” (hereinafter referred to as the “Sales Representative Rules”), until five years have passed since such disciplinary action was made.
7. An Association Member must not appoint a person who has received a decision concerning actions or disciplinary actions set forth below as the Internal Administration Supervisor during the effective period of such action or disciplinary action:
 - (1) A person who has received a decision concerning the action to prohibit appointing and allocating as Sales Manager or Internal Administrator (hereinafter referred to as the “Action Prohibiting Allocation of Sales Managers, etc.”) pursuant to the provision of Article 17, Paragraph 1 or Article 18, Paragraph 1 (hereinafter referred to as the “Person subject to Action Prohibiting Allocation of Sales Managers, etc.”);
 - (2) A person who has received a decision concerning the action prohibiting duties of Sales Representative pursuant to the provision of Article 6, Paragraph 1 of the Sales Representative Rules;
 - (3) A person who has received a disciplinary action that suspends the duties of Sales Representative pursuant to the provision of Article 11, of the Sales Representative Rules;
 - (4) A person who has received a decision concerning the action prohibiting duties of Sales Representative pursuant to 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”).

(Duties of Internal Administration Supervisor)

Article 4 The Internal Administration Supervisor must comply with the FIEA and other relevant laws, regulations and various rules, and endeavor to establish an internal administration system by directing officers or employees of the said Association Member (for the Specified Business Members, officers and employees engaged in the Specified Business, and for the Special Members, officers or employees engaged in registered financial institution business; the same shall apply hereinafter) to keep a business attitude toward complying with the FIEA and other laws, regulations, and various rules so that sales activities including solicitation for investments, etc. and management of customers may be properly carried out.

2. The Internal Administration Supervisor must guide and supervise Sales Managers and Internal Administrators, so that sales activities at an Association Member concerned may be properly carried out in due observance of the FIEA and other laws and regulations. When there has occurred any cases that are in violation of the FIEA and other laws and regulations, the Internal Administration Supervisor must handle such a case properly according to the FIEA and other laws and regulations.

3. The Internal Administration Supervisor must, with respect to the compliance with the FIEA and other laws and regulations in the course of sales activities by an Association Member, make proper contact and coordination with the administrative government offices, the Association, and other self-regulatory organizations.
4. The Internal Administration Supervisor must, when there has occurred a serious case concerning sales activities including a solicitation for investments and management of customers by the said Association Member, promptly report the contents thereof to the president & director or president & executive officer (as for a Regular Member that is a foreign juridical person, such report shall be made to the representative in Japan under the provision of Article 29-2, Paragraph 1, Item 3 of the FIEA, as for the Specified Business Member, to the Specified Business Member Representative, and as for the Special Member, to the representative of such Special Member: in the following Article referred to as “President & Director, etc.”).

(Instructions to Internal Administration Supervisor)

Article 5 The President & Director, etc. must ensure that the Internal Administration Supervisor is able to perform his/her duties properly, and when receiving a report from the Internal Administration Supervisor in accordance with the provisions of Paragraph 4 of the preceding Article, give proper instructions to him/her.

(Qualification, Report and Duties of Internal Administration Assistant Supervisor)

Article 6 The Internal Administration Supervisor may, at his/her own responsibility, appoint an officer or a responsible person such as general manager or section chief, etc. of the internal administration department (a person who is responsible for performing his or her duties in a section such person belongs to) prescribed in the Detailed Rules (hereinafter referred to as “Internal Administration Assistant Supervisor”) as the Internal Administration Assistant Supervisor and delegate a part of the duties to such person in order to perform his/her duties set forth in each Paragraph of Article 4.

2. When the Internal Administration Supervisor appoints the Internal Administration Assistant Supervisor pursuant to the provision of the preceding Paragraph, or replaces the Internal Administration Assistant Supervisor, or when there is a change in the reported matters, the Association Member must submit to the Association a report of the Internal Administration Assistant Supervisor in a designated form without delay.
3. The Member’s Internal Administration Supervisor must not allow an employee to carry out the duties of Internal Administration Assistant Supervisor, unless the said employee has passed the Qualification Examination for Regular Members’ Internal Administrators (hereinafter referred to as the “Qualification Examination for Regular Member’s Internal Administrator”) under the “Rules Concerning Qualification Examination for Securities Sales Representatives, Etc.” (hereinafter referred to as “Examination Rules”).
4. The Internal Administration Supervisor of the Specified Business Member must not allow a person to carry out the duties of Internal Administration Assistant Supervisor, unless the said employee has passed the Qualification Examination for Regular Members’ Internal Administrators or the qualification examination for Special Member’s Internal Administrators (hereinafter referred to as “Qualification Examination for Special Member’s Internal Administrator”) under the Examination Rules.
5. The Special Member’s Internal Administration Supervisor must not allow a person to carry out the duties of Internal Administration Assistant Supervisor, unless the said employee has passed the Qualification Examination for Regular Member’s Internal Administrator or the Qualification Examination for Special Members’ Internal Administrators (or the Qualification Examination for

Regular Member's Internal Administrator in the case of the Internal Administration Assistant Supervisor who is responsible for the internal administration of the actions set forth in Article 33, Paragraph 2, Item 3(c) or the same Paragraph, Item 4(b) (excluding those relating to the rights set forth in each Item of the same Paragraph that are regarded as securities pursuant to Article 2, Paragraph 2 of the FIEA) (hereinafter referred to as the "Financial Instruments Intermediary Service Activity as a Registered Financial Institution").

6. The person to whom a part of duties of Internal Administration Supervisor are delegated as Internal Administration Assistant Supervisor must comply with the FIEA and other laws, regulations, and various rules, and execute the duties properly, and report on the status of the execution to the Internal Administration Supervisor.
7. The Internal Administration Supervisor must not allow a person to carry out the duties of Internal Administration Assistant Supervisor if such person is regarded as a Class-1 Perpetrator of an Inappropriate Act by the Association pursuant to Article 12, Paragraph 1 of the Employee Rules.
8. The Internal Administration Supervisor must not allow a person to carry out the duties of Internal Administration Assistant Supervisor if such person is regarded as a Class-2 Perpetrator of an Inappropriate Act by the Association pursuant to Article 12, Paragraph 1 of the Employee Rules, or if such person receives the disciplinary action of revoking sales representative registration pursuant to the provisions of Article 11, of the Sales Representative Rules, unless five years have passed since the decision on such disposition was made.
9. The Internal Administration Supervisor must not allow a person to carry out the duties of Internal Administration Assistant Supervisor if such person receives a decision concerning the action or the disciplinary action set forth in each Item of Article 3, Paragraph 7 during the effective period of the said action or disciplinary action.

(Acquiring Qualification for Managers, Etc. of Internal Administration Department)

Article 7 An Association Member must not allow an employee to carry out the duties of a manager (a person who has an authorization to control and supervise the duties of a section such person belongs to; the same shall apply hereinafter) in the internal administration department as prescribed by the Detailed Rules, unless the said employee has passed the Qualification Examination for Regular Members' Internal Administrator (for the Specified Business Members or the Special Members, the Qualification Examination for Regular Members' Internal Administrators or the Qualification Examination for Special Member's Internal Administrators).

2. An Association Member shall endeavor to let an employee pass the Qualification Examination for Regular Members' Internal Administrators (for the Specified Business Members and the Special Members, the Qualification Examination for Regular Members' Internal Administrators or the Qualification Examination for Special Member's Internal Administrators) if such employee engages in internal administration (excluding the manager prescribed in the preceding Paragraph).

(Participation in Training Courses)

Article 8 An Association Member must have the Internal Administration Supervisor participate in the "training course for Internal Administration Supervisors" conducted by the Association each business year of the Association (the business year prescribed in Article 80 of the Articles of Association; the same shall apply hereinafter).

2. An Association Member must have the Internal Administration Assistant Supervisor participate in the "training course for Internal Administration Assistant Supervisors" conducted by the Association each business year of the Association.

3. An Association Member must have the Sales Managers, the Internal Administrator, and employees engaged in internal administration (excluding Internal Administration Assistant Supervisors) participate in the in-house training that is quasi-equivalent to the training course prescribed in the preceding two Paragraphs conducted by the Association each business year of the Association.
4. An Association Member must immediately have the Person under the Action Prohibiting Allocation of Sales Managers, etc. participate in the training course designated by the Association such as the training courses, etc. prescribed in Paragraphs 1 and 2 immediately after the decision concerning such action is made.

(Recommendation of Replacement of Internal Administration Supervisor and Internal Administration Assistant Supervisor)

Article 9 When the Internal Administration Supervisor falls under either of the following Items, the Association may recommend the Association Member to replace its Internal Administration Supervisor.

- (1) The Internal Administration Supervisor personally breaches laws and regulations;
 - (2) In cases where an Association Member breaches laws and regulations, etc., and the Association judges that the Internal Administration Supervisor has not properly performed his or her duties prescribed in each Item of Article 4 such as the Internal Administration Supervisor having concealed or having taken no action against such breach of laws and regulations, etc. or such breach having occurred due to the instruction by the Internal Administration Supervisor.
2. When the Internal Administration Assistant Supervisor falls under either of the following Items, the Association may recommend the Association Member to replace the Internal Administration Assistant Supervisor.
- (1) The Internal Administration Assistant Supervisor personally breaches laws and regulations, etc.;
 - (2) In cases where an Association Member breaches laws and regulations, etc., and the Association judges that the Internal Administration Assistant Supervisor has not properly performed his or her duties prescribed in each Item of Article 6, Paragraph 6 such as the Internal Administration Assistant Supervisor having concealed or having taken no action against such breach of laws and regulations, etc. or such breach having occurred due to the instruction by the Internal Administration Assistant Supervisor.

(Allocation of Sales Manager)

Article 10 An Association Member shall define the head office and other business office or administration office (including divisions/sections of the head offices and other business office or administration office) that conduct sales activities such as investment solicitation, etc. and customer management of the Association Member, as a sales unit that is prescribed in the Detailed Rules, and appoint and allocate the chief of such sales unit as the Sales Manager.

2. Notwithstanding the preceding Paragraph, an Association Member may define a sales unit other than that prescribed in the Detailed Rules mentioned above, and appoint and allocate the chief of such sales unit as the Sales Manager. In such case, the Association Member shall submit the application for allocation of the Sales Manager in a designated form to the Association to obtain approval.

(Qualifications for Sales Manager)

Article 11 A person who passes either of the following Examinations is qualified to be the Sales Manager

(hereinafter referred to as the “Sales Manager Qualification”).

- (1) Qualification Examination for Regular Member’s Sales Manager under the “Rules Concerning Qualification Examination for Securities Sales Representatives” before the revision on April 1, 2006 (hereinafter referred to as the “Qualification Examination for Regular Member’s Sales Manager”);
 - (2) Qualification Examination for Regular Member’s Internal Administrator;
 - (3) Qualification Examination for Special Member’s Sales Manager under the “Rules Concerning Qualification Examination for Securities Sales Representatives” before the revision on April 1, 2006 (hereinafter referred to as the “Qualification Examination for Special Member’s Sales Manager”);
 - (4) Qualification Examination for Special Member’s Internal Administrator;
2. A Regular Member must not appoint any person as Sales Manager unless he/she has passed the Qualification Examination for Regular Member’s Sales Manager or the Qualification Examination for Regular Member’s Internal Administrator.
 3. A Specified Business Member must not appoint any person as Sales Manager unless he/she has passed the Qualification Examination for Regular Member’s Sales Manager, the Qualification Examination for Regular Member’s Internal Administrator, Qualification Examination for Special Member’s Sales Manager, or the Qualification Examination for Special Member’s Internal Administrator.
 4. A Special Member must not appoint any person as Sales Manager unless he/she has passed the Qualification Examination for Regular Members’ Sales Managers, the Qualification Examination for Regular Members’ Internal Administrators, the Qualification Examination for Special Members’ Sales Managers, or the Qualification Examination for Special Members’ Internal Administrators (or Qualification Examination for Regular Members’ Sales Managers or the Qualification Examination for Regular Members’ Internal Administrators in the case of a Sales Manager of a sales unit that conducts the Financial Instruments Intermediary Service Activity as a Registered Financial Institution).
 5. When a Sales Manager receives a decision concerning the Action Prohibiting Allocation of Sales Managers, etc. pursuant to the provision of Article 17, Paragraph 1, an Association Member must immediately appoint a succeeding Sales Manager for such sales unit.
 6. An Association Member must not appoint as Sales Manager a person who is regarded as a Class-1 Perpetrator of an Inappropriate Act by the Association pursuant to Article 12, Paragraph 1 of the Employee Rules.
 7. An Association Member shall not appoint as Sales Manager a person who is regarded as a Class-2 Perpetrator of an Inappropriate Act by the Association pursuant to Article 12, Paragraph 1 of the Employee Rules or a person who has received the Disciplinary Action of Revoking Sales Representative Registration pursuant to the provisions of Article 11, of the Sales Representative Rules, until five years have passed since the decision on such disciplinary action was made.
 8. An Association Member shall not appoint as Sales Manager a person who has received a decision concerning the actions or the disciplinary action set forth in each Item of Article 3, Paragraph 7 during the effective period of said action or disciplinary action.

(Exceptions in the Specified OTC Derivatives Transactions, Etc.)

Article 11-2 An Association Member, in addition to the requirements prescribed in the preceding Article,

must not appoint a person as Sales Manager relating to the Specified OTC Derivatives Transactions, etc. set forth in Article 3, Item 7 of the Articles of Association until such person fulfills any of the requirements set forth in the following Items.

- (1) A person who has 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 Manager under the Examination Rules that was conducted on and after April 1, 2009 (the Qualification Examination for Special Member's Class-4 Sales Representative prescribed in Article 3, Item 6 of the Qualification Examination Rules before the revision on January 1, 2015; the same shall apply hereinafter);
- (2) A person who has participated in the Paragraph 1 internal training program prescribed in Article 4-2, Paragraph 1 of the Sales Representative Rules that was conducted on and after April 1, 2009, and an Association Member who conducted such Paragraph 1 internal training program reported the result of the examination to the Association;
- (3) A person who has participated in the Paragraph 2 internal training program prescribed in Article 4-2, Paragraph 2 of the Sales Representative Rules that was conducted on and before March 31, 2009, and an Association Member who conducted such Paragraph 2 internal training program reported the result of the examination to the Association, and the reported person is a member of the Association.

(Exceptions in the Brokerage for Commodity-Related Market Transactions of Derivatives, etc.)

Article 11-3 An Association Member, in addition to the requirements prescribed in Article 11, must not appoint a person as Sales Manager relating to the Brokerage for Commodity-Related Market Transactions of Derivatives, etc. set forth in Article 3 Item 10 of the Articles of Association until such person fulfills one of the requirements set forth in the following Items.

- (1) Successful examinee of the Qualification Examination for the Regular Member's Internal Administrator or the Qualification Examination for the Special Member's Internal Administrator given on or after July 1, 2020; or
- (2) Successful examinee of the Qualification Examination for the Regular Member's Sales Manager or Qualification Examination for the Regular Member's Internal Administrator, or the Qualification Examination for the Special Member's Sales Manager or Qualification Examination for the Special Member's Internal Administrator given on or before June 30, 2020, who has also completed the internal training courses or qualification renewal training courses set forth in Article 4-3 Item 2 of the Sales Representative Rules.

(Duties of Sales Manager)

Article 12 The Sales Manager must comply with the FIEA and other laws, regulations, and various rules; and guide and supervise officers or employees belonging to each sales unit for which the Sales Manager is appointed as the Sales Manager to keep a business attitude toward complying with the FIEA and other laws, regulations, and various rules so that sales activities including a solicitation for investments and management of customers may be properly carried out.

2. The Sales Manager must, when there has occurred a serious case concerning sales activities including a solicitation for investments and management of customers at the sales unit for which the Sales Manager is appointed as the Sales Manager, promptly report the contents thereof to the Internal Administration Supervisor and receive his/her instructions.

(Allocation of Internal Administrator)

Article 13 An Association Member must define the headquarters and other business office or administration office (including divisions/sections of the headquarters and other business or administration office) that conduct sales activities such as investment solicitation, etc. and customer management of the Association Member, as a sales unit prescribed in the Detailed Rules, and appoint and allocate a manager etc. of internal administration business as the Internal Administrator of such sales unit.

2. Notwithstanding the preceding Paragraph, an Association Member may appoint and allocate a person that is prescribed in the Detailed Rules.
3. Notwithstanding the preceding Paragraph, an Association Member may define a sales unit other than the one prescribed in the Detailed Rules mentioned in Paragraph 1, and appoint and allocate the Internal Administrator in such sales unit. In such case, the Association Member must submit the application for allocation of the Internal Administrator in a designated form to the Association to obtain approval.

(Qualifications for Internal Administrator)

Article 14 A person who passes either of the following Examinations is qualified to be the Internal Administrator (hereinafter referred to as the “Internal Administrator Qualification”).

- (1) Qualification Examination for Regular Member’s Internal Administrator;
 - (2) Qualification Examination for Special Member’s Internal Administrator.
2. A Regular Member must not appoint any person as Internal Administrator unless such person has passed the Qualification Examination for Regular Member’s Internal Administrator.
 3. A Specified Business Member must not appoint any person as Internal Administrator unless such person has passed the Qualification Examination for Regular Member’s Internal Administrator or the Qualification Examination for Special Member’s Internal Administrator.
 4. A Special Member must not appoint any person as Internal Administrator unless such person has passed the Qualification Examination for Regular Member’s Internal Administrator or the Qualification Examination for Special Member’s Internal Administrator (or Qualification Examination for Regular Members’ Internal Administrators in the case of Internal Administrator of a sales unit that conducts the Financial Instruments Intermediary Service Activity as a Registered Financial Institution).
 5. When an Internal Administrator receives a decision concerning Action Prohibiting Allocation of Sales Managers, etc., pursuant to Article 18, Paragraph 1, an Association Member shall appoint a succeeding Internal Administrator for such sales unit immediately.
 6. An Association Member must not appoint as an Internal Administrator a person who is regarded as a Class-1 Perpetrator of an Inappropriate Act by the Association pursuant to Article 12, Paragraph 1 of the Employee Rules.
 7. An Association Member must not appoint as an Internal Administrator a person who is regarded as a Class-2 Perpetrator of an Inappropriate Act by the Association pursuant to Article 12, Paragraph 1 of the Employee Rules, or a person who has received the Disciplinary Action of Revoking Sales Representative Registration pursuant to the provisions of Article 11, of the Sales Representative Rules, until five years have passed since the decision on such disciplinary action was made.
 8. An Association Member must not appoint as an Internal Administrator a person who received a decision concerning the action or the disciplinary action set forth in each Item of Article 3, Paragraph 7 during the

effective period of the said action or disciplinary action.

(Exceptions in the Specified OTC Derivatives Transactions, Etc.)

Article 14-2 An Association Member, in addition to the requirements prescribed in the preceding Article, shall not appoint a person as Internal Administrator relating to the Specified OTC Derivatives Transactions, etc. until such person fulfills any of the requirements set forth in each of the following Items.

- (1) A person who has 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 Manager under the Examination Rules that was conducted on and after April 1, 2009;
- (2) A person who has participated in the Paragraph 1 internal training program prescribed in Article 4-2, Paragraph 1 of the Sales Representative Rules that was conducted on and after April 1, 2009, and an Association Member who conducted such Paragraph 1 internal training program reported the result of the examination to the Association;
- (3) A person who has participated in the Paragraph 2 internal training program prescribed in Article 4-2, Paragraph 2 of the Sales Representative Rules that was conducted on and before March 31, 2009, and an Association Member who conducted such Paragraph 2 internal training program reported the result of the examination to the Association, and the person belongs to the Association Member which made such report.

(Exceptions in the Brokerage for Commodity-Related Market Transactions of Derivatives, etc.)

Article 14-3 An Association Member, in addition to the requirements prescribed in Article 14, must not appoint a person as Internal Administrator relating to the Brokerage for Commodity-Related Market Transactions of Derivatives, etc. set forth in Article 3 Item 10 of the Articles of Association until such person fulfills one of the requirements set forth in the following Items.

- (1) Successful examinee of the Qualification Examination for the Regular Member's Internal Administrator or the Qualification Examination for the Special Member's Internal Administrator given on or after July 1, 2020; or
- (2) Successful examinee of the Qualification Examination for the Regular Member's Internal Administrator or the Qualification Examination for the Special Member's Internal Administrator given on or before June 30, 2020, who has also completed the internal training courses or qualification renewal training courses set forth in Article 4-3 Item 2 of the Sales Representative Rules.

(Duties of Internal Administrator)

Article 15 Internal Administrator must comply with the FIEA and other laws, regulations, and various rules; and perform proper internal administration by such means as constantly supervising to see if sales activities at the sales unit for which the Internal Administrator is appointed as the Internal Administrator are properly carried out in accordance with the FIEA and other laws and regulations.

2. Internal Administrator must, when there has occurred a serious case concerning sales activities including solicitation for investments and management of customers at the sales unit for which the Internal Administrator is appointed as the Internal Administrator, promptly report to the Internal Administration Supervisor and receive his/her instructions.

(Report on Sales Manager, Etc. to Association)

Article 16 An Association Member must report the allocation of Sales Managers, and Internal Administrators as of the end of July every year to the Association without delay.

(Decision Concerning Action Prohibiting Allocation of Sales Manager)

Article 17 If, as a result of examination of a Report of Development and Results of the Incidents submitted by an Association Member pursuant to Article 10, Paragraph 1 of the Employee Rules, or Accredited Materials prescribed in Article 11, Paragraph 4 of the same Rules, or any material reported or submitted by an Association Member pursuant to the rules set forth in the next Paragraph, the Sales Manager is subject to either of the following Items, the Association may take an action that prohibits the Association Member to which such Sales Manager belonged when he/she was subject to either of the following Items from appointing or allocating such Sales Manager as a Sales Manager or an Internal Administrator in a period within five years. Provided, however, this provision shall not apply if the Association regards such Sales Manager as a Perpetrator of an Inappropriate Act pursuant to Article 12, Paragraph 1 of the Employee Rules.

- (1) The Sales Manager personally breaches laws or regulations;
 - (2) Officers or employees who belong to the sales unit for which the Sales Manager is appointed as Sales Manager breach laws or regulations, and it is judged that the Sales Manager has not sufficiently performed his or her duties as prescribed in Article 12, such as the Sales Manager having concealed or having taken no action against such breach of laws and regulations, etc. or such breach having been caused by the instruction by the Sales Manager.
2. The Association may, when deemed necessary in applying the preceding Paragraph, request the Association Member to report or to present materials.
 3. The Association Member must comply with a request of report or presentation of materials prescribed in the preceding Paragraph.

(Decision Concerning Action Prohibiting Allocation of Internal Administrator)

Article 18 If, as a result of examination of a Report of Development and Results of the Incidents submitted by an Association Member pursuant to Article 10, Paragraph 1 of the Employee Rules, or Accredited Materials prescribed in Article 11, Paragraph 4 of the same Rules, or any material reported or submitted by an Association Member pursuant to the rules set forth in the next Paragraph, the Internal Administrator is subject to either of the following Items, the Association may take an action that prohibits the Association Member to which such Internal Administrator belonged when he/she was subject to either of the following Items from appointing or allocating such Internal Administrator as a Sales Manager or an Internal Administrator in a period within five years. Provided, however, this provision shall not apply if the Association regards such Internal Administrator as a Perpetrator of an Inappropriate Act pursuant to Article 12, Paragraph 1 of the Employee Rules.

- (1) The Internal Administrator personally breaches laws or regulations;
 - (2) Officers or employees who belong to the sales unit for which the Internal Administrator is appointed as Internal Administrator breach laws or regulations, and it is judged that the Internal Administrator has not sufficiently performed his or her duties as prescribed in Article 15, such as the Internal Administrator having concealed or having taken no action against such breach, or such breach having been caused by the instruction by the Internal Administrator.
2. The Association may, when deemed necessary in applying the preceding Paragraph, request the

Association Member to report or to present materials.

3. The Association Member must comply with a request of report or presentation of materials prescribed in the preceding Paragraph.

(Exceptions of the Allocation of Internal Administration Assistant Supervisor, Sales Manager, and Internal Administrator of Regular Members)

Article 19 The provisions of Article 6, Paragraph 3, 4 or 5 shall not apply to an Internal Administration Assistant Supervisor of an Association Member who newly participates in the Association for a period limited to six months from the date of newly participating in the Association.

2. An Association Member who newly participates in the Association may allocate a person prescribed in each Item below as the Sales Manager or the Internal Administrator notwithstanding the provisions of Article 11 Paragraphs 2 to 4, Article 11-2, Article 11-3, Article 14 Paragraphs 2 to 4, Article 14-2, or Article 14-3 for a period limited to six months from the date of newly participating in the Association; provided however, this provision applies to the case only if a person who has engaged in the business on Sale and Purchase or Other Transactions, etc. of securities set forth in Article 3 Item 8 of the Articles of Association for 3 years or longer and has passed the Qualification Examination for Regular Member's Internal Administrator (or the Qualification Examination for Regular Member's Internal Administrator or the Qualification Examination for Special Member's Internal Administrator if such new Association Member is a Specified Business Member or a Special Member (or the Qualification Examination for Regular Member's Internal Administrator for a Special Member who conducts the Financial Instruments Intermediary Service Activity as a Registered Financial Institution)) is allocated as Internal Administration Supervisor, Internal Administration Assistant Supervisor, or officer, general manager, or other person in charge of internal administration section.

- (1) Regular Member: A person who has passed the qualification examination of Sales Representatives set forth in either of Article 3, Item 1 or 2 of the Examination Rules;
- (2) Specified Business Member: A person who has passed any of the qualification examinations of Sales Representatives set forth in either of Article 3, Item 1, 2, 4, or 5 of the Examination Rules, or the Qualification Examination for Special Member's Class-4 Sales Representatives;
- (3) Special Member: A person who has passed any of the qualification examinations of Sales Representatives set forth in either of Article 3, Item 1, 2, 4, or 5 of the Examination Rules, or the Qualification Examination for Special Member's Class-4 Sales Representatives;

3. The provision of Article 7 shall not apply to a person who takes a position as a manager of the internal administration section of an Association Member for a period limited to six month from the date of taking the position.

4. In the case that an Association Member appoints a person who arrives from overseas to take a position in Japan, such as releasing the assignment of an employee, etc. to be seconded to an overseas local subsidiary or overseas parent company, etc. as the Sales Manager or the Internal Administrator, the Association Member may allocate such person as the Sales Manager or the Internal Administrator for a period limited to six months from the date of arrival from overseas to take a position in Japan notwithstanding the provisions of Article 11 Paragraphs 2 to 4, Article 11-2, Article 11-3, Article 14 Paragraphs 2 to 4, Article 14-2, or Article 14-3.

(List of Persons subject to Action Prohibiting Allocation of Sales Manager, Etc.)

Article 20 The Association shall prepare a list of the Persons subject to Action Prohibiting Allocation of Sales Managers, etc. (hereinafter referred to as the “List of Persons subject to Action Prohibiting Allocation of Sales Managers, etc.”), and record the name, date of birth, details of actions that caused the Person subject to Action Prohibiting Allocation of Sales Managers, etc. to receive the Action Prohibiting Allocation of Sales Managers, etc., the details of the Action Prohibiting Allocation of Sales Managers, etc., the date of determining such Action Prohibiting Allocation of Sales Managers, etc., and other matters the Association deems necessary.

(Application for Release of the Action Prohibiting the Appointment of Sales Manager, Etc.)

Article 21 If a Person subject to Action Prohibiting Allocation of Sales Managers, etc. shows clear signs of repentance, or a new fact is found relating to the matters that caused the Person subject to Action Prohibiting Allocation of Sales Managers, etc. to receive the Action Prohibiting Allocation of Sales Managers, etc., or if there is a special reason, and an Association Member judges that it is appropriate to release the Action Prohibiting Allocation of Sales Managers, etc., the Association Member may apply for the release of the Action Prohibiting Allocation of Sales Managers, etc. with the designated form.

(Review and Notice of Release of the Action Prohibiting the Appointment of Sales Manager, Etc.)

Article 22 When the Association receives the application prescribed in the preceding Paragraph, it shall review the application. Then, if the Association judges that the application is acceptable, it may release the Action Prohibiting Allocation of Sales Managers, etc. for the person relating to such application by its decision.

2. The Association shall notify the result of the review prescribed in the preceding Paragraph to the Association Member who made the application subject to such review.
3. When the Association releases the Action Prohibiting Allocation of Sales Managers, etc. pursuant to Paragraph 1, it shall delete the name of the person concerned from the List of Persons under the Action Prohibiting Allocation of Sales Managers, etc.

SUPPLEMENTARY PROVISIONS [Omitted]

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

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.