

# RULES CONCERNING OVER-THE-COUNTER SECURITIES

(March 15, 2005)

## CHAPTER I. GENERAL PROVISIONS

### (Purpose)

**Article 1** The purpose of the Rules Concerning Over-the-Counter Securities (hereinafter referred to as “Rules”) is to ensure fair and smooth Over-the-Counter Transactions in Over-the-Counter Securities (excluding Phoenix Issues; the same shall apply hereinafter, except for the next Article and Article 5) and thereby contribute to investor protection.

### (Definitions)

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

- (1) Over-the-Counter Securities: Shares, share option certificates and bonds with share option that are not listed on any Financial Instruments Exchange Market, issued in Japan by Japanese corporations.
- (2) Over-the-Counter Transactions: Purchase and Sale or other transactions of Over-the-Counter Securities conducted by a Regular Member on its own account or on a customer’s account.
- (3) Explanatory Note on Business Conditions: Explanatory materials that meet the requirements prescribed in Article 5 and are used by a Regular Member, or a Special Member or a Financial Instruments Intermediary Service Provider commissioned by the said Regular Member to carry out Financial Instruments Intermediary Service (a business related to the Financial Instruments Intermediary Service under the provisions of Article 3, Item 9 of the Articles of Association; the same shall apply hereinafter) when conducting investment solicitation for Over-the-Counter Handled Securities.
- (4) Over-the-Counter Handled Securities: Among Over-the-Counter Securities, shares, share option certificates and bonds with share option (hereinafter referred to as “Shares, etc.”) issued by issuing companies which fall under any of the following:
  - (a) Issuing companies (limited to an issuing company all of whose financial statements and consolidated financial statements included in a Securities Report or Securities Registration Statement which is most recently submitted to the Prime Minister are accompanied by an audit report with an unqualified general opinion) that are liable to submit a Securities Report pursuant to Article 24, Paragraph 1 of the Financial Instruments and Exchange Act (hereinafter referred to as “FIEA”);
  - (b) Issuing companies (limited to an issuing company whose share certificates and bonds with share options are de-listed by a Financial Instruments Exchange and whose financial statements and consolidated financial statements in the latest fiscal year that are included in a Securities Report or Securities Registration Statement which is most recently submitted to the Prime Minister are accompanied by an audit report with an unqualified general opinion) that are liable to submit a Securities Report pursuant to the provision of Article 24, Paragraph 1 of the FIEA;
  - (c) Issuing companies that prepare Explanatory Note on Business Conditions that fulfill the

requirements as set forth in Article 5, Items 1 through 4;

(d) Issuing companies that prepare Explanatory Note on Business Conditions that fulfill the requirements as set forth in Article 5, Items 1 through 3 and Item 5.

(5) Phoenix Issues: Among Over-the-Counter Handled Securities, Phoenix Issues prescribed in Article 2, Item 5 of the “Rules Concerning Phoenix Issues”.

## **CHAPTER II. PROHIBITION OF SOLICITATION FOR INVESTMENTS AND THE EXCEPTIONAL CASES**

### **(Prohibition of Investment Solicitation for Over-the-Counter Securities)**

**Article 3** An Association Member must not solicit customers for investing in Over-the-Counter Securities, except in the cases under the provisions of any Article from the following Article to Article 4-2, Article 6, or 7, the Rules Concerning Shareholders Community, the Rules Concerning Equity-Based Crowdfunding Business or the Rules Concerning Solicitation of Professional Investors for Investment in Over-the-Counter Securities, etc..

### **(Investment Solicitation for Transactions of Over-the-Counter Securities for the Purpose of Transferring Controlling Interest, etc.)**

**Article 3-2** For the purpose of transferring controlling interest, etc., an Association Member may solicit the customers specified in the following items, for investing related to transactions or intermediary services for transactions of the Over-the-Counter Securities (excluding Over-the-Counter Handled Securities issued by an issuing company of the listed securities; the same shall apply hereinafter in this Article) specified in the following items.

- (1) Buyer (excluding customers specified in Items 2 through 4; the same shall apply hereinafter)  
Purchase of the Over-the-Counter Securities for the purpose of acquiring the majority of the voting rights of all shareholders (excluding shareholders with no voting rights on any of the matters which may be resolved at a shareholders meeting; the same shall apply hereinafter) of the issuing company of Over-the-Counter Securities (including when the buyer who already holds the majority of the voting rights of all shareholders additionally acquires voting rights or when the sum of the number of voting rights held by the buyer and the number of voting rights held by another entity (limited to those premised to exercise their voting rights based on the same policy as the buyer and excluding the customers specified in the following item) forms the majority of the voting rights of all shareholders);
- (2) Representative, etc., of the issuing company of Over-the-Counter Securities (which means the representative of the issuing company and those premised to exercise their voting rights based on the same policy as the representative; the same shall apply hereinafter)  
Purchase of the Over-the-Counter Securities for the purpose of acquiring a majority of the voting rights of all shareholders of the issuing company (including the cases that the representative, etc., who already holds the majority of the voting rights of all shareholders additionally acquires voting rights, or that the sum of the number of voting rights held by the representative, etc., will reach the majority of the voting rights of all shareholders);
- (3) Issuing company of Over-the-Counter Securities  
Purchase of the Over-the-Counter Securities for the purpose of acquiring a majority of all issued shares of Over-the-Counter Securities (including when the issuing company that already holds the majority of all issued shares additionally acquires shares);
- (4) Representative, etc., of the Issuing Company of Over-the-Counter Securities or the Issuing

Company (excluding those who intends to make the purchase specified in the preceding two items.) Purchase of the Over-the-Counter Securities made by the representative, etc., of the issuing company of the Over-the-Counter Securities and the said issuing company for the purpose of jointly holding a majority of all issued shares of the Over-the-Counter Securities (including when the representative, etc., of the issuing company or the said issuing company that already jointly holds the majority of all issued shares additionally acquires shares); or

(5) Seller

Sale of the Over-the-Counter Securities for the purpose of executing the purchase of Over-the-Counter Securities specified in the preceding items.

**2.** An Association Member must obtain the consent of the issuing company for the matters set forth below when soliciting investments for the purchase based on the preceding Paragraph:

- (1) The attributes, etc. of the customer who is subject to investment solicitation for purchase;
- (2) When the customer who is subject to investment solicitation for purchase or those entrusted by such customer desires investigation of the issuing company (hereinafter referred to as “Due Diligence”), the issuing company cooperates with the Due Diligence; and
- (3) The Association Member provides a summary of the Due Diligence results to the customer who is subject to investment solicitation.

**3.** When conducting investment solicitation for purchase based on Paragraph 1, Items 1 to 4 of, the Association Member must explain the matters set forth in Items 1 to 5 to the customer who is subject to such investment solicitation. When conducting investment solicitation for sale based on Paragraph 1, Item 5, the Association Member must explain the matters set forth in Item 1 to the customer who is subject to such investment solicitation.

- (1) If the prospect of achieving the purposes set forth in the items under Paragraph 1 cannot be confirmed, the Association Member must not conduct transaction of, or conduct intermediary services for transaction of, the Over-the-Counter Securities set forth in the items of Paragraph 1 depending on the customer category described in each item;
- (2) The customer may conduct Due Diligence if the customer prefers to do so, and in that case, the issuing company consents to cooperating with the Due Diligence;
- (3) The customer may entrust a third party to conduct the Due Diligence; and
- (4) For investment solicitation based on Paragraph 1, Item 1 or 2, if the customer is to acquire the majority of voting rights of all shareholders in combination with the number of voting rights held by another entity, the Association Member must not conduct transaction of, or conduct intermediary services for transaction of, the Over-the-Counter Securities set forth in Paragraph 1, Item 1 or 2 unless it can be confirmed that all such entities are premised to exercise the voting rights with the same policy.
- (5) For investment solicitation based on Paragraph 1, Item 4, unless the intent of the representative, etc., of the issuing company of the Over-the-Counter Securities and the issuing company jointly holding a majority of all issued shares of the Over-the-Counter Securities can be confirmed, the Association Member must not conduct transaction of, or conduct intermediary services for transaction of, the Over-the-Counter Securities set forth in the item;

**4.** When conducting investment solicitation for purchase based on Paragraph 1, the Association Member must obtain the consent of the customer who is subject to investment solicitation for the matters set forth in the following items:

- (1) If the customer or an entity entrusted by the customer is to conduct Due Diligence, the customer

provides a summary of Due Diligence results to the Association Member; and

- (2) The Association Member provides the summary of the Due Diligence results that the Association Member acquired based on the preceding Item to another customer who is subject to investment solicitation based on Paragraph 1.

5. If an Association Member acquired a summary of the Due Diligence results based on the provision of the preceding Paragraph, Item 1, the Association Member must provide the summary to customers who are subject to investment solicitation based on Paragraph 1 (excluding the customer who provided the summary). However, if the Association Member has confirmed with the customers that the provision of the summary is unnecessary, this shall not apply.

6. When an Association Member conducts transaction, or intermediary services for transaction, of Over-the-Counter Securities set forth in Paragraph 1, the Association Member must not conduct transaction of, or conduct intermediary services for transaction of, the Over-the-Counter Securities without confirming the matters set forth in the following items beforehand:

- (1) There is a prospect that the purposes set forth in the items under Paragraph 1 can be achieved for the customer category described in each item.
- (2) For investment solicitation based on Paragraph 1, Item 1 or 2, if a customer is to acquire the majority of voting rights of all shareholders in combination with the number of voting rights held by others, all such entities are premised to exercise the voting rights with the same policy.
- (3) For investment solicitation based on Paragraph 1, Item 4, the representative, etc., of the issuing company of the Over-the-Counter Securities and the issuing company have the intent of jointly holding a majority of all issued shares of the Over-the-Counter Securities.

7. An Association Member must report to the Association on the investment solicitation based on Paragraph 1 separately prescribed by the Association. The reporting by a Special Member that conducts intermediary services for transaction as its Financial Instruments Intermediary Service is not required if the Regular Member that commissioned the Special Member to carry out the Financial Instruments Intermediary Service submits the report on behalf of such Special Member.

8. An Association Member shall make efforts to resolve any information asymmetry between the transacting parties when soliciting investments based on Paragraph 1.

9. The provisions of Paragraph 2, Paragraph 3, Items 2 and 3, and Paragraphs 4, 5 and 8 shall not apply to an investment solicitation for transaction, or intermediary services for transaction, for a customer falling under any of Paragraph 1, Items 2, 3 or 4.

**(Investment Solicitation for Acquisition of Over-the-Counter Securities which is made to Qualified Institutional Investors)**

**Article 4** An Association Member may solicit Qualified Institutional Investors (prescribed in Article 2, Paragraph 3, Item 1, of the FIEA; the same shall apply hereinafter) to invest in Over-the-Counter Securities on conditions that transfer restrictions should be imposed on the Over-the-Counter Securities they acquire.

2. Concerning the transfer restriction in the preceding Paragraph, the persons set forth below shall meet the following requirements.

- (1) Qualified Institutional Investors who are counterparties of investment solicitation, if the investment solicitation falls under the cases set forth in Article 2, Paragraph 3, Item 2(a) of the FIEA (including the cases where investment is solicited for Over-the-Counter Securities for which investment solicitation at the time of issuance falls under the provision):  
It shall meet the requirements prescribed in Article 1-4 of the Enforcement Ordinance of the FIEA;

- (2) Qualified Institutional Investors who are counterparties of investment solicitation, if the investment solicitation falls under the cases set forth in Article 2, Paragraph 4, Item 2(a) of the FIEA (including the cases of investment solicitation of Over-the-Counter securities if such investment solicitation falls under such cases) :

It shall meet the requirements prescribed in Article 1-7-4 of the Enforcement Ordinance of the FIEA;

- (3) Qualified Institutional Investors when such investment solicitation falls under the cases set forth in Article 2, Paragraph 3, Item 2(c) of the FIEA as a result of excluding the Qualified Institutional Investors from the calculated number prescribed in Article 1-5 of the Enforcement Ordinance of the FIEA due to the reason that such Qualified Institutional Investors who are counterparties for investment solicitation meet the conditions prescribed in Article 1-4 of the Enforcement Ordinance for the FIEA, and Qualified Institutional Investors who are counterparties for investment solicitation in Over-the-Counter Securities for which investment solicitation at the time of issuance falls under such cases:

It shall meet the requirements prescribed in Article 1-4 of the Enforcement Ordinance of the FIEA;

- (4) Qualified Institutional Investors when such solicitation for sale, etc. prescribed in Article 2, Paragraph 4 of the FIEA falls under the cases set forth in Article 2, Paragraph 4, Item 2(c) of the FIEA as a result of excluding the Qualified Institutional Investors from the calculated number prescribed in Article 1-8 of the Enforcement Ordinance of the FIEA due to the reason that such Qualified Institutional Investors who are counterparties for investment solicitation meet the conditions prescribed in Article 1-7-4 of the Enforcement Ordinance of the FIEA, and Qualified Institutional Investors who are counterparties for solicitation for sale of Over-the-Counter Securities for which solicitation for sale falls under such cases:

It shall meet the requirements prescribed in Article 1-7-4 of the Enforcement Ordinance of the FIEA;

3. Notwithstanding the provisions of the preceding two paragraphs, an Association Member may solicit Qualified Institutional Investors other than those listed in each item of Paragraph 2 to invest in the Over-the-Counter Securities without any restriction on transfer.

4. An Association Member must report to the Association on the investment solicitation based on Paragraph 1 separately prescribed by the Association. The reporting by a Special Member that conducts investment solicitation based on Paragraph 1 as its Financial Instruments Intermediary Service is not required if the Regular Member that commissioned the Special Member to carry out the Financial Instruments Intermediary Service submits the report on behalf of the Special Member.

**(Investment Solicitation for Acquisition of Over-the-Counter Securities which is made to professional investors who can evaluate the corporate value)**

**Article 4-2** When conducting transactions concerning Over-the-Counter securities listed in the following items, an Association Member may solicit Professional Investors (prescribed in Article 2, Paragraph 31 of the FIEA (including Professional Investors pursuant to the provision of Article 34-3, Paragraph 4 of the FIEA, but excluding those deemed to be customers who are not Professional Investors under the provision of Article 34-2, Paragraph 5 of the FIEA); the same shall apply hereinafter) that are acknowledged by the Association Member as having the ability to evaluate the corporate value at its own responsibility.

- (1) Transaction from the Solicitation of Offers to Acquire prescribed in Article 2, Paragraph 3, Item 2 (c) of the FIEA;
- (2) Transaction from the Offer to Sell prescribed in Article 2, Paragraph 4, Item 2 (c) of the FIEA;
- (3) Transaction set forth in Article 1-7-3 of the FIEA Enforcement Order; or
- (4) Selling of Over-the-Counter Securities by the customer.

2. When engaging in investment solicitation under the preceding Paragraph, an Association Member must obtain a written representation and commitment from the customer regarding the following matters:

- (1) Customer has evaluated the value of the company issuing the Over-the-Counter Securities and is making the investment based on the value at its own responsibility; and
- (2) Other matters the Association Member deemed as necessary.

3. In the case of conducting investment solicitation under Paragraph 1, the Association Member must provide the customer with the following information about the company issuing the Over-the-Counter Securities. However, this shall not apply when the Association Member has confirmed with the customer that the provision of such information is unnecessary.

- (1) Outline of company;
- (2) Details of business;
- (3) Financial information; and
- (4) Information related to future prospects, in the case of handling private offerings.

4. An Association Member must report to the Association on the investment solicitation based on Paragraph 1 separately prescribed by the Association. The reporting by a Special Member that conducts investment solicitation based on Paragraph 1 as its Financial Instruments Intermediary Service is not required if the Regular Member that commissioned the Special Member to carry out the Financial Instruments Intermediary Service submits the report on behalf of the Special Member.

**(Requirements for Explanatory Note on Business Conditions)**

**Article 5** Explanatory Note on Business Conditions shall be prepared by an issuing company, and shall meet the requirements prescribed in Items 1 to 4 or Items 1 to 3 and 5.

- (1) If Over-the-Counter Securities are Shares, etc. (excluding non-listed Shares, etc. issued by a company issuing listed securities), this note shall be prepared based on the statement of “company information” in the Securities Report prescribed in the Cabinet Office Ordinance concerning Disclosure of Corporate Affairs and Other Related Matters; provided, however, that if the issuing company of Over-the-Counter Securities does not fall under the provision of Article 2, Item 4(a), the issuing company shall prepare the following, respectively, according to each of the cases below:
  - (a) In the case where two (2) business years have not yet passed since the issuing company was established, financial statements or consolidated financial statements of its first year of operations and the summary of business plan and its feasibility statement shall be included in Explanatory Note on Business Conditions.
  - (b) In the case where two (2) or more business years have passed since the issuing company was established, either of the following shall be included in Explanatory Note on Business Conditions:
    - (i) Financial statements or consolidated financial statements for the immediately preceding two business years; or
    - (ii) Financial statements or consolidated financial statements for the immediately preceding business year and the business plan and its feasibility statement, etc.
- (2) If Over-the-Counter Securities are non-listed Shares, etc. issued by a company issuing listed securities, the matters set forth below shall be included in Explanatory Note on Business Conditions.

The matters set forth in (d) below may be substituted by including the latest Securities Report submitted to the Prime Minister by the issuing company:

- (a) Outline of the Shares, etc.;
  - (b) Characteristics different from the listed shares issued by the issuing company;
  - (c) Risks in investing in the Shares, etc.;
  - (d) Statement to the effect that reference to the EDINET (electronic disclosure system for disclosure documents, such as Securities Reports and other documents based on the FIEA) shall be requested for information concerning the issuing company; and
  - (e) Any other matters deemed necessary in explaining the Over-the-Counter Securities.
- (3) Financial statements and consolidated financial statements shall be prepared in accordance with the terms, forms, and methods of preparation or financial documents, etc. prescribed by the Prime Minister in Cabinet Office Ordinances in accordance with accounting principles generally deemed fair and appropriate prescribed in Article 193 of the FIEA, or in accordance with the Companies Accounting Rule.
- (4) Audits of financial statements and consolidated financial statements shall be conducted by a certified public accountant or an auditing corporation, pursuant to the FIEA, or audits of financial documents, etc. shall be conducted based on the Companies Act by a certified public accountant or auditing corporation or an equivalent audit shall be conducted, and audit reports with unqualified general opinions shall be attached to the included financial statements or consolidated financial statements, or the financial documents, etc.
- (5) An issuing company whose share certificates and bonds with share options are de-listed by a Financial Instruments Exchange, and the financial statements and consolidated financial statements of the issuing companies in the latest fiscal year shall be audited by a certified public accountant or auditing corporation pursuant to the FIEA, or its financial documents, etc. shall be audited by an accounting auditor based on the Companies Act or an equivalent audit shall be conducted, and an audit report with an unqualified general opinion shall be attached to the above financial statements or consolidated financial statements, or financial documents, etc.

### **(Investment Solicitation in Over-the-Counter Handled Securities)**

**Article 6** An Association Member may deal in a Public Offering, Secondary Distribution (limited to those that require the preparation of the prospectus pursuant to Article 13, Paragraph 1 of the FIEA; the same shall apply hereinafter in this Paragraph), Private Placement, or Private Secondary Distribution (which refers to the solicitation for sales that falls under any of Article 2, Paragraph 4, Items 2 (a) to (c) of the FIEA; the same shall apply hereinafter) (hereinafter referred to as “Offering, etc.”) of the Over-the-Counter Handled Securities (excluding Over-the-Counter Handled Securities that fall under Article 2, Item 4 (b) or (d); the same shall apply hereinafter), or conduct investment solicitation for Secondary Distribution or Private Secondary Distribution (hereinafter referred to as “Dealing, etc., of Offering, etc.”).

**2.** An Association Member, when it carries out dealing of the Public Offering or Secondary Distribution, or Secondary Distribution of Over-the-Counter Handled Securities, in accordance with the provision of the preceding Article, for which a prospectus must be prepared and delivered pursuant to Article 13 and Article 15, Paragraph 2 of the FIEA, must give a customer a full explanation with respect to the details of the Over-the-Counter Handled Securities and their issuing companies after delivering such prospectus in accordance with the provisions of the laws or regulations.

**3.** An Association Member, when it carries out dealing, etc. of Public Offering of Over-the-Counter Handled Securities (excluding those issued by an issuing company of listed securities and not listed on Financial Instruments Exchange Markets; the same shall apply hereinafter in this Paragraph), in accordance

with the provision of the preceding Article, for which preparation and delivery of a prospectus pursuant to Article 13 and Article 15, Paragraph 2 of the FIEA are not required, shall give a customer a full explanation with respect to the details of the Over-the-Counter Handled Securities and their issuing companies, using a Securities Report or Explanatory Note on Business Conditions which adds securities information of the Over-the-Counter Handled Securities for which the Offering is conducted based on the statement of “securities information” in the registration statement prescribed in the Cabinet Office Ordinance concerning Disclosure of Corporate Information, etc., in addition to the statement prescribed in Article 5 hereof.

4. An Association Member, when it carries out dealing, etc. of Public Offering of Over-the-Counter Handled Securities (limited to non-listed on Financial Instruments Exchange Markets which are issued by an issuing company of listed securities; the same shall apply hereinafter in this Paragraph), in accordance with the provision of the preceding Article, for which preparation and delivery of a prospectus pursuant to Article 13 and Article 15, Paragraph 2, of the FIEA are not required, must give a customer a full explanation with respect to the details of the Over-the-Counter Handled Securities using Explanatory Note on Business Conditions including the statement prescribed in Article 5 hereof; provided, however, that the Association Member must fully explain the details of the issuing company using the latest Securities Report submitted by such company to the Prime Minister if an explanation about information concerning the issuing company is requested by the customer.

5. When a customer conducts the transaction of Over-the-Counter Handled Securities for the first time as a result of the investment solicitation conducted under the provisions of the preceding Article (except for the Professional Investors (Professional Investors that are prescribed in Article 2, Paragraph 31 of the FIEA (excluding those who are regarded as non-Professional Investors prescribed in the provisions in Article 34-2, Paragraph 5 and including those who are regarded as Professional Investors prescribed in Article 34-3, Paragraph 4 of the Law (including cases where it is applied *mutatis mutandis* to Article 34-4, Paragraph 6)); the same shall apply hereinafter); the same shall apply hereinafter in this and next Paragraphs), an Association Member must make a full explanation of the characteristics, transaction structure, etc., on the Over-the-Counter Handled Securities to the customer, and collect a confirmation letter concerning a transaction of Over-the-Counter Handled Securities to ensure that the transaction is conducted under the customers’ judgment and responsibility.

6. Each time an Association Member accepts an order from its customer for a transaction of Over-the-Counter Handled Securities as a result of the investment solicitation conducted as prescribed in the provision of the preceding Article, it must clearly specify that such securities are Over-the-Counter Handled Securities.

7. An Association Member, when it carries out dealing, etc. of Offering of Over-the-Counter Handled Securities prescribed in Paragraphs 1 and 2 hereof, must maintain a Registration Statement, prospectus, or Explanatory Note on Business Conditions concerning the Public Offering in its handling departments and branches (including departments and branches of a Special Member and a Financial Instruments Intermediary Service Provider entrusted by a Regular Member to carry out a Financial Instruments Intermediary Service), and make it available to customers.

8. An Association Member must report to the Association on the investment solicitation based on Paragraph 1 separately prescribed by the Association. The reporting by a Special Member that conducts investment solicitation based on Paragraph 1 as its Financial Instruments Intermediary Service is not required if the Regular Member that commissioned the Special Member to carry out the Financial Instruments Intermediary Service submits the report on behalf of the Special Member.

**(Investment Solicitation in Over-the-Counter Handled Securities that are Issued by an Issuing company of the Listed Securities)**

**Article 7** An Association Member may conduct the investment solicitation for Over-the-Counter Handled Securities that are issued by the issuing company of the listed securities (excluding the Secondary Distribution that requires issuance and delivery of a prospectus pursuant to Article 13 and Article 15, Paragraph 2 of the FIEA; the same shall apply hereinafter within this Article). When conducting the investment solicitation, the Association Member must prepare an explanatory document that describes matters set forth in Article 5, Items 2 (a) to (e) (hereinafter referred to as “Explanatory document on securities



information, etc.”), deliver it to the customer to whom the investment solicitation for such Over-the-Counter Handled Securities is to be conducted (excluding Professional Investors; the same shall apply hereinafter within this Article), and fully explain the details included in the document.

2. When a customer who conducts the transaction of Over-the-Counter Handled Securities issued by an issuing company of the listed securities for the first time as a result of the investment solicitation conducted as prescribed in the preceding Paragraph, an Association Member shall make a full explanation of the characteristics, transaction structure, etc. on the Over-the-Counter Handled Securities to the customer; and collect Confirmation letter concerning the transaction of Over-the-Counter Handled Securities issued by an issuing company of the listed securities to ensure that the transaction is conducted under the customers’ judgment and responsibility.

3. An Association Member shall accept the custody of the Over-the-Counter Handled Securities issued by an issuing company of the listed securities that are purchased by a customer as a result of the investment solicitation conducted as prescribed in Paragraph 1 and entrusted for custody by the customer, provided, however, the Association Member may not accept custody if the issuing company of the Over-the-Counter Handled Securities submits a Securities Registration Statement on such Over-the-Counter Handled Securities to the Prime Minister.

4. Each time an Association Member accepts an order from its customer for a transaction of Over-the-Counter Handled Securities issued by an issuing company of the listed securities as a result of the investment solicitation conducted as prescribed in Paragraph 1, it shall clearly specify that such securities are Over-the-Counter Handled Securities issuing company by an issuing company of the listed securities.

### **CHAPTER III. PURCHASE AND SALE, ETC. OF OVER-THE-COUNTER SECURITIES**

#### **(Dealing)**

**Article 8** A Regular Member, when it sells or purchases of Over-the-Counter Securities on its own account, shall note that fair price-making and sound management shall not be disturbed.

#### **(Transaction on Joint Accounts)**

**Article 9** A Regular Member must not conduct Over-the-Counter Transactions with other Regular Members or customers on a joint account (excluding Over-the-Counter Transactions of Phoenix Issues; the same shall apply hereinafter).

#### **(Prohibition of Over-the-Counter Transactions Using Unfair Means)**

**Article 10** A Regular Member shall not conduct Over-the-Counter Transactions using unfair means, such as wash trading or prearranged trading.

#### **(Excessive Trading)**

**Article 11** A Regular Member shall not conduct Over-the-Counter Transactions for Over-the-Counter Securities deemed excessive on its own account or on the accounts of its affiliated companies, in consideration of its financial resources or trading situations of the Over-the-Counter Securities.

#### **(Raising Prices by Manipulation or Selling Off)**

**Article 12** A Regular Member must not engage in such acts as purchase of Over-the-Counter Securities by sequentially raising quotations or purchase prices, or sales of such securities by sequentially lowering quotations or sales prices with the objective of misleading other people, artificially disguising a boom or

exerting an unfair impact on the market, or creating fictitious quotations that do not reflect actual market conditions.

**(Prohibition of Accepting Market Order, Margin Transactions and Over-the-Counter Transactions of Unissued Over-the-Counter Securities)**

**Article 13** Except for transactions of Unlisted PTS Issues prescribed in Article 2 Item 4 of the “Rules Concerning Transactions, Etc., of Unlisted Securities over Proprietary Trading Systems (PTS),” an Association Member must not accept market orders for Over-the-Counter Securities.

2. An Association Member must not conduct margin transactions (including transactions by an Association Member receiving credit) for Over-the-Counter Securities.

3. An Association Member must not conduct Over-the-Counter Transactions of unissued Over-the-Counter Securities.

**(Restrictions on Transactions between Regular Members)**

**Article 14** Except for solicitation of investment pursuant to Articles 3-2, 4, 4-2, 6 ,7 and the “Rules Concerning Solicitation of Professional Investors for Investment in Over-the-Counter Securities, etc.,” , and Transaction of Unlisted PTS Issues prescribed in Article 2 Item 4 of the “Rules Concerning Transactions, Etc., of Unlisted Securities over Proprietary Trading Systems (PTS), a Regular Member must not conduct Over-the-Counter Transactions of Over-the-Counter Securities for the purpose of circulation among Regular Members.

**(Reports of Purchase and Sale of Over-the-Counter Handled Securities Issued by an Issuing company of the Listed Securities)**

**Article 15** A Regular Member, when it conducts Over-the-Counter Transactions of Over-the-Counter Handled Securities issued by an issuing company of the listed securities, must report to the Association to that effect using the prescribed form by the 15th day (the following business day in the case where the given 15th day of the month is a non-business day) of the month immediately following to the month when such Over-the-Counter Transactions were conducted.

2. The Association shall disclose to the public the information reported by a Regular Member prescribed in the provisions of the preceding Paragraph on a regular basis.

3. When deemed necessary for transaction management, the Association may request a Regular Member to report on the status of Over-the-Counter Transactions.

**(Clear Indication of Responsibilities for Price Information of Over-the-Counter Securities)**

**Article 16** A Regular Member, when it provides such information as sales or purchase prices of Over-the-Counter Securities (hereinafter referred to as “Price Information”), except in the cases under the Rules Concerning Shareholders Community, the Rules Concerning Equity-Based Crowdfunding Business, the Rules Concerning Solicitation of Professional Investors for Investment in Over-the-Counter Securities, etc., or “Rules Concerning Transactions, Etc., of Unlisted Securities over Proprietary Trading Systems (PTS)” must clearly specify, along with the Price Information, the Regular Member’s name, the names of its handling departments and branches (including departments and branches of a Special Member and a Financial Instruments Intermediary Service Provider entrusted by a Regular Member to carry out Financial Instruments Intermediary Service), the date when the Price Information is provided, and the effect that the Price Information is not an asked quotation nor a bid quotation regardless of whatever media may be used.

## CHAPTER IV. MISCELLANEOUS PROVISIONS

### (Delivery, Etc. Using Electromagnetic Methods)

**Article 17** In substitution for the delivery of the Explanatory document on securities information, etc. prescribed in Article 7, Paragraph 1, pursuant to the “Rules Concerning Handling of Documents Delivery, etc. through Electromagnetic Method” (hereinafter referred to as the “Electric Document Delivery Rules”), Association Members may use methods employing electronic information processing systems or other information technologies to provide the matters to be stated in the Explanatory document on securities information, etc. In such a case, the members shall be regarded as having delivered the Explanatory document on securities information, etc.

2. In substitution for the collection of a confirmation letter concerning a transaction of Over-the-Counter Handled Securities prescribed in Article 6, Paragraph 5, or a confirmation letter concerning a transaction of Over-the-Counter Handled Securities issued by an issuing company of the listed securities prescribed in Article 7, Paragraph 2, pursuant to the Electric Document Delivery Rules, Association Members may use methods employing electronic information processing systems or other information technologies to collect the matters to be stated in the confirmation letter. In such a case, the members shall be regarded as having collected the confirmation letter.

3. An Association Member may, as an alternative to obtaining a written representation and commitment set forth in Article 4-2, Paragraph 2, obtain the said written representation and commitment by means of using an electronic information processing organization or other methods using information technology pursuant to the Regulation Concerning the Treatment of Provision, etc., of Documents Using Electromagnetic Methods. In such case, the Association Member shall be regarded as having obtained such written representation and commitment.

### (Guidance and Supervision to Financial Instruments Intermediary Service Providers)

**Article 18** A Regular Member must guide and supervise a Financial Instruments Intermediary Service Provider to whom it has entrusted a Financial Instruments Intermediary Service, to ensure compliance with the provisions of Article 3, Paragraphs 1 to 6, 8 and 9 of Article 3-2, Paragraphs 1 and 2 of Article 4, Paragraphs 1 to 3 of Article 4-2, Paragraphs 1 to 4, 6 and 7 of Article 6, and Paragraphs 1 and 4 of Article 7.

## SUPPLEMENTARY PROVISIONS [Omitted]

(Note) This amendment comes into effect as of July 1, 2023.

<p>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.</p>
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