

RULES CONCERNING PROCEDURES FOR DISCIPLINARY ACTION ON SALES REPRESENTATIVE, ETC. OF ASSOCIATION MEMBERS

(January 16, 2018)

CHAPTER I GENERAL PROVISIONS

(Purpose)

Article 1 The purpose of the Rules Concerning Procedures for Disciplinary Action on Sales Representative, etc. of Association Members (hereinafter referred to as the “Rules”) is to prescribe necessary matters when conducting procedures for Disciplinary Action on Sales Representatives, etc. of Association Members (meaning Employee, etc. of Association Members and Sales Representative, etc. of Financial Instruments Intermediary Service Providers).

(Definitions)

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

- 1 Employee, etc.
A person who is or used to be an employee as prescribed in Article 2, Item 6 of the “Rules Concerning Employees of Association Members” (hereinafter referred to as the “Employee Rules”) as well as an officer or a person who used to be an officer as prescribed in Article 17 of the Employee Rules, and who performed an act that causes the Disciplinary Action under Self-Regulatory Rules.
- 2 Sales Representative of Association Members
Sales Representative who is registered pursuant to Article 8, Paragraph 1 of the “Rules Concerning Qualification and Registration, etc., of Sales Representatives of Association Members” (hereinafter referred to as the “Sales Representative Rules”) and who performed an act that is subject to the Administrative Disciplinary Action.
- 3 Financial Instruments Intermediary Service Provider
A Financial Instruments Intermediary Service Provider as prescribed in Article 3, Item 9 of the Articles of Association.
- 4 Sales Representative of Financial Instruments Intermediary Service Provider
Sales Representative prescribed in Article 2, Item 6 of the “Financial Instruments Intermediary Service Rules Provider” (hereinafter referred to as the “Financial Instruments Intermediary Service Rules”), and who performed an act that is subject to the Administrative Disciplinary Action.
- 5 Individual Financial Instruments Intermediary Service Provider
An individual financial instruments intermediary service provider prescribed in Article 3-2 of the Financial Instruments Intermediary Service Rules.
- 6 Sales Representative, etc. of Financial Instruments Intermediary Service Provider
A person who is or used to be an Individual Financial Instruments Intermediary Service Provider or Sales Representative as prescribed in Article 2, Item 6 of the Financial Instruments Intermediary Service Rules, and has performed an act that is subject to the Disciplinary Action under Self-Regulatory Rules.
- 7 Administrative Disciplinary Action
A Disciplinary Action that is imposed by the Association pursuant to the provisions in Article 64-5, Paragraph 1 of the Financial Instruments and Exchange Act (hereinafter referred to as

the “FIEA”) or the provision in Article 64-5, Paragraph 1 of the FIEA that applies mutatis mutandis to Article 66-25 of the FIEA.

- 7-2 Rescission of registration
An administrative disposition that revokes the registration of a Sales Representative.
- 7-3 Suspension from duty
An administrative disposition that orders a suspension of a Sales Representative from its duty.
- 8 Submitting Association Member
An Association Member who submitted a report of development and results of the incidents prescribed in Article 10, Paragraph 1 of the Employee Rules or who submitted a report of development and results of the incidents prescribed in Article 27 of the Financial Instruments Intermediary Service Rules.
- 9 Parties Concerned
The Submitting Association Member and the Employee, etc. who is to be treated as the Perpetrator of an Inappropriate Act.
- 10 Parties Concerned, etc.
The Parties Concerned and the Employee, etc. who is about to be imposed the Disciplinary Actions under Self-Regulatory Rules other than treatment as a Perpetrator of an Inappropriate Act.
- 11 Treated as the Perpetrator of an Inappropriate Act
To treat a person as the Perpetrator of an Inappropriate Act prescribed in Article 12, Paragraph 1 of the Employee Rules.
- 12 Action Prohibiting Business of Sales Representatives
Measures that prohibit Sales Representatives from conducting their business as prescribed in Article 6, Paragraph 1 of the Sales Representative Rules.
- 13 Action Prohibiting Allocation of Sales Manager
A measure that prohibit sales managers from being allocated as prescribed in Article 17, Paragraph 1 of the “Rules Concerning Internal Administrators, etc. of Association Members” (hereinafter referred to as the “Internal Administrator Rules”).
- 14 Action Prohibiting Allocation of Internal Administrator
A measure that prohibit internal administrators from being allocated as prescribed in Article 18, Paragraph 1 of the Internal Administrator Rules.
- 15 Action Prohibiting Business of Sales Representatives of Financial Instruments Intermediary Service Provider
A measure that prohibits Sales Representatives from conducting their business as prescribed in Article 29, Paragraph 1 of the Financial Instruments Intermediary Service Rules
- 16 Disciplinary Action under Self-Regulatory Rules
A decision of Disciplinary Actions set forth from Item 11 to the preceding Item.
- 17 Entrusting Association Member
An Association Member that is an Entrusting Financial Instruments Business Operator, etc. as prescribed in Article 66-2, Paragraph 1, Item 4 of the FIEA.

CHAPTER II ADMINISTRATIVE DISCIPLINARY ACTION

SECTION 1 NOTICE, ETC. OF HEARING

Subsection 1: Sales Representative of Association Member

(Notice, etc. of Hearing on Sales Representative of Association Member)

Article 3 When the Association intends to impose the Administrative Disciplinary Action on Sales Representative of an Association Member, the Association shall notify the Association Member to which such Sales Representative is registered of the matters set forth below, and hold a hearing as prescribed in the Administrative Procedure Act:

1. Details of the expected adverse Disciplinary Action and provisions of laws that are the basis for such Disciplinary Action;
 2. Fact that causes the adverse Disciplinary Action;
 3. Date, time, and place of hearing;
 4. Name and address of an organization that is responsible for an administrative process of the hearing;
 5. Matters concerning participation in the hearing by the Sales Representative
- 2** An Association Member that receives the notice prescribed in the preceding Paragraph must promptly communicate the details of the notice to the Sales Representative of the Association Member to whom the notice relates (limited to those who belong to the Association Member) .
- 3** When the Association sends a notice as prescribed in Paragraph 1, the Association shall also send the same notice to the Sales Representative of the Association Member to whom such notice relates (excluding Sales Representative as prescribed in the preceding Paragraph).
- 4** The provisions in the preceding two Paragraphs shall not apply if the address or whereabouts of the Sales Representative to whom the notice prescribed in Paragraph 1 relates is unknown or if there is another unavoidable reason.

Subsection 2: Sales Representative of Financial Instruments Intermediary Service Provider

(Notice, etc. of Hearing on Sales Representative of Financial Instruments Intermediary Service Provider)

Article 4 When the Association intends to impose the Administrative Disciplinary Action on Sales Representative of a Financial Instruments Intermediary Service Provider, the Association shall notify the Financial Instruments Intermediary Service Provider to which the Sales Representative is registered of the matters set forth in each Item of Paragraph 1, the preceding Article through an Entrusting Association Member, and hold a hearing as prescribed in the Administrative Procedure Act.

- 2** The Entrusting Association Member mentioned in the preceding Paragraph must instruct the Financial Instruments Intermediary Service Provider to promptly communicate the details of the notice prescribed in the preceding Paragraph to the Sales Representative of the Financial Instruments Intermediary Service Provider (limited to those who belong to such Financial Instruments Intermediary Service Provider).
- 3** When the Association sends a notice as prescribed in Paragraph 1, the Association shall also send the same notice to the Sales Representative of the Financial Instruments Intermediary Service Provider to whom such notice relates (excluding the Sales Representative of Financial Instruments Intermediary Service Provider as prescribed in the preceding Paragraph).

- 4 The provisions in the preceding two Paragraphs shall not apply if the address or whereabouts of the Sales Representative of the Financial Instruments Intermediary Service Provider to whom the notice prescribed in Paragraph 1 relates is unknown or if there is another unavoidable reason.

SECTION 2 NOTICE, ETC. OF DISCIPLINARY ACTION

Subsection 1: Sales Representative of Association Member

(Notice, etc. of Administrative Disciplinary Action Imposed on Sales Representative of Association Member)

Article 5 When the Association imposes the Administrative Disciplinary Action on a Sales Representative of an Association Member, the Association shall notify the Association Member to which the Sales Representative is registered of the details of and reason for the Administrative Disciplinary Action in writing without delay.

- 2 An Association Member that receives the notice prescribed in the preceding Paragraph must promptly communicate the details of the notice to the Sales Representative of the Association Member to whom the notice relates (limited to those who belong to the Association Member).
- 3 When the Association sends a notice as prescribed in Paragraph 1, the Association shall also send the same notice to the Sales Representative of the Association Member to whom such notice relates (excluding the Sales Representative as prescribed in the preceding Paragraph.)
- 4 The provisions in the preceding two Paragraphs shall not apply if the address or whereabouts of the Sales Representative to whom the notice prescribed in Paragraph 1 relates is unknown or if there is another unavoidable reason.

Subsection 2: Sales Representative of Financial Instruments Intermediary Service Provider

(Notice, etc. of Administrative Disciplinary Action Imposed on Sales Representative of Financial Instruments Intermediary Service Provider)

Article 6 When the Association imposes the Administrative Disciplinary Action on Sales Representative of a Financial Instruments Intermediary Service Provider, the Association shall notify the Financial Instruments Intermediary Service Provider to which the Sales Representative is registered of the details of and reason for the Administrative Disciplinary Action in writing through an Entrusting Association Member without delay.

- 2 The Entrusting Association Member mentioned in the preceding Paragraph must instruct the Financial Instruments Intermediary Service Provider to promptly communicate the details of the notice prescribed in the preceding Paragraph to the Sales Representative of the Financial Instruments Intermediary Service Provider to whom such notice relates (limited to those who belong to such Financial Instruments Intermediary Service Provider.)
- 3 When the Association sends a notice as prescribed in Paragraph 1, the Association shall also send the same notice to the Sales Representative of the Financial Instruments Intermediary Service Provider to whom such notice relates (excluding the Sales Representative of Financial Instruments Intermediary Service Provider as prescribed in the preceding Paragraph).
- 4 The provisions in the preceding two Paragraphs shall not apply if the address or whereabouts of the Sales Representative of the Financial Instruments Intermediary Service Provider to whom the notice prescribed in Paragraph 1 relates is unknown or if there is another unavoidable reason.
- 5 When the Association sends a notice prescribed in Paragraph 1, the Association shall inform all the Entrusting Association Members of such Financial Instruments Intermediary Service Provider to which such notice is sent of such effect.

Article 7 Delete

CHAPTER III DISCIPLINARY ACTION UNDER SELF-REGULATORY RULES

SECTION 1 PROCEDURES FOR EXPLANATION

Subsection 1: Employees, etc. of Association Member

(Notice, etc. of Explanation Related to Employee, etc. of Association Member)

Article 8 When the Association intends to impose the Disciplinary Action under Self-Regulatory Rules on the Employees, etc., the Association shall implement the procedures for explanation for the Parties Concerned, etc.

- 2** When the Association implements the procedures for explanation prescribed in the preceding Paragraph, the Association shall send a notice to the Parties Concerned.
- 3** The Submitting Association Member who receives the notice prescribed in the preceding Paragraph must promptly communicate the details of the notice prescribed in the preceding Paragraph to the Employees, etc. to whom the notice relates (excluding the Employee, etc. who is to be treated as the Perpetrator of an Inappropriate Act, and limited to the Employees, etc. who belong to such Submitting Association Member).
- 4** When the Association sends a notice as prescribed in Paragraph 2, the Association shall also send the same notice to the Employees, etc. to whom such notice relates (excluding the Employee, etc. who is to be treated as the Perpetrator of an Inappropriate Act, and limited to those who do not belong to the Submitting Association Member as prescribed in the preceding Paragraph).
- 5** The provisions in the preceding three Paragraphs shall not apply if the address or whereabouts of the Employee, etc. to whom the notice prescribed in Paragraph 2 relates is unknown or if there is another unavoidable reason.
- 6** If the procedures for explanation are conducted by an examination prescribed in Article 11, Paragraph 1 of the Employee Rules based on the accredited materials prescribed in Paragraph 4 of the same Article, the Association Member that is set forth in each Item below shall be regarded as the Submitting Association Member depending on the category of the Employees, etc. set forth in each Item below:
 - 1.** If the Employee, etc. belongs to an Association Member to which the Employee, etc. belonged when the case occurred: Association Member to which the Employee, etc. belongs
 - 2.** If the Employee, etc. does not belong to an Association Member to which the Employee, etc. belonged when the case occurred: Association Member to which the Employee, etc. belonged when such case occurred
 - 3.** If the Employee, etc. (limited to those who are to be treated as the Perpetrator of an Inappropriate Act) belonged to an Association Member whose registration was canceled pursuant to Article 29 or Article 33-2 of the FIEA: Such Association Member

(Notice of Explanation)

Article 9 The notice prescribed in the preceding Article shall be made by a document that describes the following matters (hereinafter referred to as the “Notice of Explanation”).

- 1.** Name of the Employee, etc. who is to be subject to the Disciplinary Action under Self-Regulatory Rules

2. Details of the expected Disciplinary Action under Self-Regulatory Rules and provisions that are the basis for such Disciplinary Action
 3. Fact that causes the expected Disciplinary Action under Self-Regulatory Rules
 - 9
 4. Name and address of organization that is responsible for the administrative procedures for explanation
- 2** The Notice of Explanation prescribed in the preceding Paragraph shall indicate the following matters:
1. The Parties Concerned, etc. must submit to the Association a written explanation prescribed in Paragraph 1 of the following Article within 14 days from the date of arrival of a notice or a communication pursuant to Paragraph 2 to 4 of the preceding Article.
 2. The Parties Concerned, etc. may demand to determine the date of explanation. If the Parties Concerned, etc. wish to do so, the Parties Concerned, etc. must submit a document that describes the request for determining the date of explanation when submitting the written explanation as prescribed in the preceding Item.
 3. The Parties Concerned, etc. are allowed to freely access the report of development and results of the incidents that is prescribed in Article 10, Paragraph 1 of the Employee Rules and relates to the case under the procedures for explanation, the accredited materials prescribed in Article 11, Paragraph 4 of the same Rules and attachments thereof, and the documentary evidence etc. prescribed in Paragraph 2 of the same Article, until the procedures for explanation are concluded.
- 3** If whereabouts of the Employee, etc. who is to be subject to the Disciplinary Action under Self-Regulatory Rules (excluding those who are treated as the Perpetrator of an Inappropriate Act) is unknown, and 14 days have passed since the Submitting Association Member to which the Employee, etc. relates has received the Notice of Explanation, the notice or the communication prescribed in Paragraph 3 or 4 of the preceding Article shall be deemed to have reached the Employee, etc.

(Submission of a Written Explanation, etc.)

Article 10 The Parties Concerned, etc. who receive the notice or the communication prescribed in Paragraph 2 to 4 of Article 8 must submit to the Association a document that describes the following matters (hereinafter referred to as the “Written Explanation”) within 14 days of the receipt of such notice or communication:

1. Approval or disapproval on the matters set forth in Paragraph 1, Items 2 and 3 of the preceding Article
 2. Allegation on the matters set forth in Paragraph 1, Items 2 and 3 of the preceding Article
- 2** If the notice prescribed in the preceding Article did not reach the Employee, etc. (limited to the Employee, etc. who is treated as the Perpetrator of an Inappropriate Act), and if the Employee, etc. is aware that the Employee, etc. is to be treated as the Perpetrator of an Inappropriate Act, the Employee, etc. is allowed to submit the Written Explanation to the Association within 30 days from the date when a notice of which content is the same as the said notice reaches the Submitting Association Member (or, if the notice did not reach the Submitting Association Member, 60 days from the date when the Association sends such notice).
- 3** The Parties Concerned, etc. may demand in writing to determine the date of explanation when submitting the Written Explanation prescribed in the preceding two Paragraphs.

(Date of Explanation)

Article 11 When the Association is requested by any of the Parties Concerned, etc. to determine the date of explanation pursuant to the provision in Paragraph 3 of the preceding Article, the Association shall determine the date of explanation, and send a document describing the date and place of the explanation to the Parties Concerned, etc.

- 2 If the date of explanation is determined, the Parties Concerned, etc. must attend on the date of explanation. The Submitting Association Member must send a regular member representative, a special member representative, or a specified business member representative, or alternatively, an internal administration supervisor or an internal administration supervisor assistant (an internal administration supervisor or an internal administration supervisor assistant as prescribed in the Internal Administrator Rules) on the date of explanation, regardless of whether or not the Submitting Association Member elects an agent pursuant to the following Article.

(Agent)

Article 12 The Parties Concerned, etc. may elect an agent for the procedures for explanation.

- 2 The agent prescribed in the preceding Paragraph may conduct all the acts in the procedures for explanation for the benefit of the Parties Concerned, etc. who elected such agent.
- 3 The qualification of the agent must be evidenced in writing.
- 4 If the agent is no longer qualified as an agent, the Parties Concerned, etc. who elected such agent must report such effect to the Association in writing.

(Appraiser)

Article 13 The Chair (a person who is appointed pursuant to Article 15, Paragraph 1; the same shall apply hereafter) may ask appraisal to a person who has sufficient knowledge and experience (hereinafter referred to as the "Appraiser") upon a petition filed by the Parties Concerned, etc. or by its authority.

(Review of Documents, etc.)

Article 14 The Parties Concerned, etc. may demand the Association to review a report of development and results of the incidents prescribed in Article 10, Paragraph 1 of the Employee Rules that pertains the case related to the procedures for explanation, or the accredited materials, etc. that are prescribed in Article 11, Paragraph 4 of the same Rules and attachments thereof, and the documentary evidence etc. prescribed in Paragraph 2 of the same Article, until the procedures for explanation are concluded. In such cases, the Association may not refuse such review except for cases where there is a justifiable reason such as infringement of a third party's rights.

- 2 The provision in the preceding Paragraph shall not preclude the Parties Concerned, etc. from making a further request to review materials that become necessary depending on the progress of the review on the date of explanation.
- 3 The Association may specify the date, time, and place of the review prescribed in the preceding two Paragraphs.

(Chairmanship of Procedures for Explanation)

Article 15 The procedures for explanation shall be chaired by an officer or an employee of the Association who is appointed by the Association.

- 2 A person who meets either of the following Items may not chair the procedures for explanation:
 1. A person who is any of the Parties Concerned, etc. in the procedures for explanation;

2. A person who is a spouse or a relative within the fourth degree of the person prescribed in the preceding Item, or a relative living with the person prescribed in the preceding Item;
3. An agent of the person prescribed in Item 1, or an assistant in court prescribed in Paragraph 3 of the following Article;
4. A person who used to be one prescribed in the preceding two Items
5. A guardian, supervisor of guardian, curator, supervisor of curator, assistant, or supervisor of assistant of the person prescribed in Item 1

(Review Method on the Date of Explanation)

Article 16 At the start of the date of explanation, the Chair shall make an employee of the Association explain the details of the Disciplinary Action under Self-Regulatory Rules, provisions of the Rules that serve as the grounds for the Disciplinary Action, and the fact that causes such Disciplinary Action to the people who attend on the date of explanation.

- 2 The Parties Concerned, etc. may attend on the date of explanation, express their opinions, submit documentary evidence, etc., and ask questions to the employee of the Association (including the Appraiser if the Chair requests the Appraiser to attend on the date of explanation) with approval of the Chair.
- 3 The Parties Concerned, etc. may attend on the date of explanation with an assistant in court, with approval of the Chair.
- 4 When the Chair finds it necessary on the date of explanation, the Chair may question the Parties Concerned, etc., or ask them to show opinions or submit documentary evidence, etc., or demand the employee of the Association to make explanations.
- 5 The Chair may indicate the written explanation and documentary evidence, etc. to the people who attend on the date of explanation.
- 6 If any of the Parties Concerned, etc. is absent, the Chair may not conduct a review on the date of explanation. Provided, however, this provision shall not apply if the Chair admits that the Submitting Association Member has a special reason not to attend.
- 7 The review on the date of explanation shall not be open to the public, except for the case that the Association specifically approves that it would be open to the public.

(Designation of Continuation Date)

Article 17 If, as a result of the review on the date of explanation, the Chair finds it necessary to continue the date of explanation, the Chair may determine a new date of explanation.

- 2 In the case of the preceding Paragraph, the Chair must notify in advance the Parties Concerned, etc. of the next date of explanation and the place thereof in writing. Provided, however, the Chair is allowed only to notify the Parties Concerned, etc. who attended on the date of explanation, of the next date of explanation on such date of explanation.

(Conclusion of Procedures for Explanation in the Case of Absence of the Parties Concerned, etc.)

Article 18 If any of the Parties Concerned, etc. fails to submit a written explanation by the due date prescribed in Article 10 or does not attend on the date of explanation, without a justifiable reason, the procedures for explanation may be concluded without giving the said Parties another opportunity to express their opinions and submit documentary evidence, etc.

(Record and Report of Explanation)

Article 19 The Chair must prepare a record that describes the progress of the procedures for explanation and a summary of statements by the Parties Concerned, etc. and the Appraisers on the fact that causes the Disciplinary Action under Self-Regulatory Rules.

- 2 The record prescribed in the preceding Paragraph must be prepared promptly after each date of explanation.
- 3 The Chair must, promptly after the closing of the procedures for explanation, prepare a report that indicates its opinion on whether or not the allegation by the Parties Concerned, etc. on the fact that causes the Disciplinary Action under Self-Regulatory Rules is reasonable, and submit it to the Association together with the record prescribed in Paragraph 1.
- 4 The Parties Concerned, etc. may demand to review the record prescribed in Paragraph 1.

(Resumption of Procedures for Explanation)

Article 20 If the Association finds it necessary to resume the procedures for explanation given situations that occur after the closing the procedures for explanation, the Association may order the Chair to return the report submitted pursuant to the provision in Paragraph 3 of the preceding Article, and resume the procedures for explanation. The provision in the body text of Article 17, Paragraph 2 shall apply mutatis mutandis to such cases.

Subsection 2: Sales Representative, etc. of Financial Instruments Intermediary Service Provider

(Notice, etc. of Explanation to Sales Representative, etc. of Financial Instruments Intermediary Service Provider)

Article 21 When the Association intends to impose the Action Prohibiting Business of Sales Representatives of a Financial Instruments Intermediary Service Provider, the Association shall implement the procedures for explanation for the Sales representative, etc. of the Financial Instruments Intermediary Service Provider and the Submitting Association Member to which the Sales Representative, etc. of the Financial Instruments Intermediary Service Provider relates.

- 2 When the Association implements the procedures for explanation prescribed in the preceding Paragraph, the Association shall send a notice to the Submitting Association Member to which the Sales Representative, etc. of the Financial Instruments Intermediary Service Provider relates.
- 3 The Submitting Association Member mentioned in the preceding Paragraph must instruct the Financial Instruments Intermediary Service Provider to promptly communicate the details of the notice as prescribed in the preceding Paragraph to the Sales Representative, etc. of the Financial Instruments Intermediary Service Provider (limited to those who belong to the Financial Instruments Intermediary Service Provider.)
- 4 When the Association sends a notice prescribed in Paragraph 2, the Association shall also send the same notice to the Sales Representative, etc. of the Financial Instruments Intermediary Service Provider to whom the notice relates (limited to those who do not belong to the Financial Instruments Intermediary Service Provider and those who used to be an Individual Financial Instruments Intermediary Service Provider.)
- 5 The provisions in the preceding two Paragraphs shall not apply if the address or whereabouts of the Sales Representative, etc. of the Financial Instruments Intermediary Service Provider is unknown or if there is another unavoidable reason.
- 6 If the procedures for explanation are conducted by an examination prescribed in Article 28, Paragraph 1 of the Financial Instruments Intermediary Service Rules based on the accredited materials prescribed in Paragraph 4 of the same Article, the Association Member to which the Individual Financial Instruments Intermediary Service Provider, or the Financial Instruments Intermediary Service Provider to which the procedures for explanation relates, belongs (limited to the Association Member to which such Financial Instruments Intermediary Service Provider belonged when the case that caused such Prohibition of Business of Sales Representative of such

Financial Instruments Intermediary Service Provider occurred) shall be regarded as the Submitting Association Member.

(Application Mutatis Mutandis to the Procedures for Explanation for Sales Representative of Financial Instruments Intermediary Service Provider)

Article 22 The provisions from Article 9 to 20 (except for the provision in Article 10, Paragraph 2) shall apply mutatis mutandis to the procedures for explanation for the Sales Representative, etc. of the Financial Instruments Intermediary Service Provider. In such cases, “the Employee, etc.” and “the Employee, etc. (except for the Employee, etc. who is to be treated as the Perpetrator of an Inappropriate Act)” shall be read as “the Sales Representative, etc. of the Financial Instruments Intermediary Service Provider,” and “Disciplinary Action under Self-Regulatory Rules” shall be read as “Prohibition of Business of Sales Representative of Financial Instruments Intermediary Service Provider,” and “the Parties Concerned, etc.” shall be read as “the Sales Representative, etc. of the Financial Instruments Intermediary Service Provider and the Submitting Association Member to which the Sales Representative, etc. of Financial Instruments Intermediary Service Provider relates,” and “a report of development and results of the incidents prescribed in Article 10, Paragraph 1 of the Employee Rules or the accredited materials prescribed in Article 11, Paragraph 4 of the same Rules and attachments thereof, and documentary evidence, etc. prescribed in Paragraph 2 of the same Article” shall be read as “a report of development and results of the incidents prescribed in Article 27 of the Financial Instruments Intermediary Service Rules or the accredited materials prescribed in Article 28, Paragraph 4 of the same Rules and attachments thereof and documentary evidence, etc. prescribed in Paragraph 2 of the same Article,” and “the preceding two Paragraphs” in Article 10, Paragraph 3 shall be read as “Paragraph 1.”

SECTION 2 NOTICE OF DISCIPLINARY ACTION, ETC.

Subsection 1: Treating a Person as the Perpetrator of an Inappropriate Act

(Notice of Treating a Person as the Perpetrator of an Inappropriate Act)

Article 23 When the Association determines to treat or not to treat the Employee, etc. as the Perpetrator of an Inappropriate Act, the Association shall notify such Employee, etc. and the Submitting Association Member of such effect without delay. In such cases, if the Employee, etc. belongs to another Association Member due to resignation or other reason, or belongs to a Financial Instruments Intermediary Service Provider or become an Individual Financial Instruments Intermediary Service Provider of which the Entrusting Financial Instruments Business Operator, etc. is another Association Member, the Association shall send the same notice to such other Association Member.

- 2 The provision about the notice to the Employee, etc. in the preceding Paragraph shall not apply if the address or whereabouts of the Employee, etc. is unknown, or if there is another justifiable reason.

(Notice of Determination to Treat a Person as the Perpetrator of an Inappropriate Act)

Article 24 The notice prescribed in Paragraph 1 of the preceding Article shall be conducted by a document that describes the matters set forth below (hereinafter referred to as the “Notice of Determination to Treat a Person as the Perpetrator of an Inappropriate Act”).

1. Name of the Employee, etc. who is determined to be treated as the Perpetrator of an Inappropriate Act;
2. Details of the Determination to treat the Employee, etc. as the Perpetrator of an Inappropriate Act, and the provisions of the rules that serve as the grounds for such determination;
3. Date of determination to treat the Employee, etc. as the Perpetrator of an Inappropriate Act;
4. The fact that causes the Association to treat the Employee, etc. as the Perpetrator of an Inappropriate Act;

- 2 The Notice of Determination to Treat a Person as the Perpetrator of an Inappropriate Act prescribed in the preceding Paragraph shall indicate the matters set forth below:
 1. The Parties Concerned may file complaints on the details of the determination to treat the Employee, etc. as the Perpetrator of an Inappropriate Act, to the Association within three months from the day following the date when the Parties Concerned are aware that such determination was made.
 2. When the Parties Concerned files complaints as prescribed in the preceding Item, the Parties Concerned must submit a written complaint that is prescribed in the “Rules Concerning Filing of Complaints on Disciplinary Action under Self-Regulatory Rules Imposed on the Employee, etc.”
 3. Filing of complaints prescribed in Item 1 cannot be made after one year has passed since the day following the date when the determination to treat the Employee, etc. as the Perpetrator of an Inappropriate Act is made (provided, however, this provision shall not apply if there is a justifiable reason).
- 3 Notwithstanding the preceding two Paragraphs, if the Association determines not to treat the Employee, etc. as the Perpetrator of an Inappropriate Act prescribed in Paragraph 1 of the preceding Article, the Association shall provide notice of such effect in writing.

Subsection 2: Action Prohibiting Business of Sales Representative

(Notice, etc. of Action Prohibiting Business of Sales Representative)

Article 25 When the Association determines to impose or not to impose the Action Prohibiting Business of Sales Representative, the Association shall notify the Submitting Association Member of such effect in writing without delay. In the case that the Association determines to impose the Action Prohibiting Business of Sales Representative, if the Employee, etc. to whom the notice relates belongs to another Association Member due to resignation or other reason, or belongs to a Financial Instruments Intermediary Service Provider or becomes an Individual Financial Instruments Intermediary Service Provider of which the Entrusting Financial Instruments Business Operator, etc. is another Association Member, the Association shall also send the same notice to such other Association Member.

- 2 The Submitting Association Member that receives the notice prescribed in the preceding Paragraph must communicate the details of the notice to the Employee, etc. to whom the notice relates (limited to those who belong to such Submitting Association Member) promptly.
- 3 When the Association sends a notice prescribed in Paragraph 1, the Association shall also send the same notice to the Employees, etc. to whom such notice relates (excluding the Employee, etc. prescribed in the preceding Paragraph.)
- 4 The provisions in the preceding two Paragraphs shall not apply if the address or whereabouts of the Employee, etc. to whom the notice prescribed in Paragraph 1 relates, or if there is another unavoidable reason.
- 5 The provisions in Article 24 shall apply mutatis mutandis to the notice prescribed in Paragraph 1. In such cases, “the Notice of Determination to Treat a Person as the Perpetrator of an Inappropriate Act” shall be read as “the Notice of Action Prohibiting Business of Sales Representative of Association Member,” and “Treating a Person as the Perpetrator of an Inappropriate Act” shall be read as “Action Prohibiting Business of Sales Representative of Association Member,” and “determine not to treat the Employee, etc. as the Perpetrator of an Inappropriate Act” shall be read as “determine not to impose the Action Prohibiting Business of Sales Representative of Association Member,” and “Paragraph 1 of the preceding Article” in Article 24, Paragraph 1 and “Paragraph 1 of the preceding Article” in Article 24, Paragraph 3 shall be read as “Paragraph 1, Article 25.”

**Subsection 3: Action Prohibiting Business of Sales Representative of Financial Instruments
Intermediary Service Provider**

**(Notice, etc. of Action Prohibiting Business of Sales Representative of Financial Instruments
Intermediary Service Provider)**

Article 26 When the Association determines to impose or not to impose the Action Prohibiting Business of Sales Representative of a Financial Instruments Intermediary Service Provider, the Association shall notify the Financial Instruments Intermediary Service Provider through an Entrusting Association Member that relates to such Sales Representative of Financial Instruments Intermediary Service Provider in writing, of such effect without delay. In the case that the Association determines to impose the Action Prohibiting Business of Sales Representative of the Financial Instruments Intermediary Service Provider, if the Sales Representative, etc. of Financial Instruments Intermediary Service Provider to whom the notice relates belongs to another Association Member due to resignation or other reason, or belongs to a Financial Instruments Intermediary Service Provider or becomes an Individual Financial Instruments Intermediary Service Provider of which Entrusting Financial Instruments Business Operator, etc. is another Association Member, the Association shall also send the notice to such another Association Member.

- 2** The Submitting Association Member prescribed in the preceding Paragraph must instruct the Financial Instruments Intermediary Service Provider to promptly communicate the details of the notice as prescribed in the preceding Paragraph to the Sales Representative, etc. of the Financial Instruments Intermediary Service Provider (limited to those who belong to the Financial Instruments Intermediary Service Provider.)
- 3** When the Association sends a notice prescribed in Paragraph 1, the Association shall also send the same notice to the Sales Representative, etc. of Financial Instruments Intermediary Service Provider to whom the notice relates (limited those who do not belong to the Financial Instruments Intermediary Service Provider and those who used to be an Individual Financial Instruments Intermediary Service Provider.)
- 4** The provisions in the preceding two Paragraphs shall not apply if the address or whereabouts of the Sales Representative, etc. of the Financial Instruments Intermediary Service Provider to whom the notice prescribed in Paragraph 1 relates is unknown or if there is another unavoidable reason.
- 5** When the Association sends a notice prescribed in Paragraph 1, the Association shall inform all the Entrusting Association Members of such Financial Instruments Intermediary Service Provider to which such notice is sent, of such effect.
- 6** The provision in Article 21, Paragraph 6 shall apply mutatis mutandis to each Paragraph above.
- 7** The provision in Article 24 shall apply mutatis mutandis to the notice prescribed in Paragraph 1. In such cases, “the Notice of Determination to Treat a Person as the Perpetrator of an Inappropriate Act” shall be read as “the Notice of Action Prohibiting Business of Sales Representative of Financial Instruments Intermediary Service Provider,” and “Treating a Person as the Perpetrator of an Inappropriate Act” shall be read as “the Action Prohibiting Business of Sales Representative of Financial Instruments Intermediary Service Provider,” and “determine not to treat a Person as the Perpetrator of an Inappropriate Act” shall be read as “determine not to impose the Action Prohibiting Business of Sales Representative of the Financial Instruments Intermediary Service Provider,” and “Paragraph 1 of the preceding Article” in Article 24, Paragraph 1, and “Paragraph 1 of the preceding Article” in Article 24, Paragraph 3 shall be read as “Paragraph 1 of Article 26.”

Subsection 4: Action Prohibiting Allocation of Sales Manager

(Notice, etc. of Determination to Prohibit of Allocation of Sales Manager)

Article 27 When the Association determines to impose or not to impose Action Prohibiting Allocation of Sales Manager, the Association shall notify the Submitting Association Member of such effect in writing without delay.

- 2** The Submitting Association Member that receives the notice prescribed in the preceding Paragraph must communicate the details of the notice to the sales manager to whom the notice relates promptly (limited to those who belong to such Submitting Association Member).
- 3** When the Association sends the notice prescribed in Paragraph 1, the Association shall also send the same notice to the sales manager to whom the notice relates (excluding the sales manager prescribed in the preceding Paragraph).
- 4** The provisions in the preceding two Paragraphs shall not apply if the address or whereabouts of such sales manager to whom such notice prescribed in Paragraph 1 relates is unknown, or if there is another unavoidable reason.
- 5** When the Association determines to take a measure pursuant to the provision in Paragraph 1 and if the sales manager to whom the determination relates belongs to another Association Member due to resignation or other reason, or belongs to a Financial Instruments Intermediary Service Provider or becomes an Individual Financial Instruments Intermediary Service Provider of which the Entrusting Financial Instruments Business Operator, etc. is another Association Member, the Association shall send the same notice to such other Association Member.
- 6** The provisions in Article 24 shall apply mutatis mutandis to the notice prescribed in Paragraph 1. In such cases, “Notice of Determination to Treat a Person as the Perpetrator of an Inappropriate Act” shall be read as “Notice of determination to prohibit allocation of sales manager,” and “Treating a Person as the Perpetrator of an Inappropriate Act” shall be read as “Action Prohibiting allocation of sales manager,” and “determine not to treat a Person as the Perpetrator of an Inappropriate Act” shall be read as “determine not to impose the Action Prohibiting Allocation of Sales Manager,” and “Paragraph 1 of the preceding Article” in Article 24, Paragraph 1 and “Paragraph 1 of the preceding Article” in Article 24, Paragraph 3 shall be read as “Article 27, Paragraph 1.”

(Notice, etc. of Determination to Action Prohibiting Allocation of Internal Administrator)

Article 28 When the Association determines to impose or not to impose Action Prohibiting Allocation of Internal Administrator, the Association shall notify the Submitting Association Member of such effect in writing without delay.

- 2** The Submitting Association Member that receives the notice prescribed in the preceding Paragraph must communicate the details of the notice to the internal administrator to whom the notice relates (limited to those who belong to such Submitting Association Member.)
- 3** When the Association sends the notice prescribed in Paragraph 1, the Association shall also send the same notice to the internal administrator to whom the notice relates (excluding the internal administrator prescribed in the preceding Paragraph.)
- 4** The provisions in the preceding two Paragraphs shall not apply if the address or whereabouts of such internal administrator to whom the notice prescribed in Paragraph 1 relates is unknown, or if there is another unavoidable reason.
- 5** The provision in Paragraph 5 of the preceding Article shall apply to the case in Paragraph 1

- 6 The provisions in Article 24 shall apply mutatis mutandis to the Notice of determination to prohibit allocation of internal administrator. In such cases, “Notice of Determination to Treat a Person as the Perpetrator of an Inappropriate Act” shall be read as “Notice of Determination to Prohibit Allocation of Internal Administrator,” and “Treating a Person as the Perpetrator of an Inappropriate Act” shall be read as “Action Prohibiting Allocation of Internal Administrator,” and “determine not to treat a Person as the Perpetrator of an Inappropriate Act” shall be read as “determine not to impose the Action Prohibiting Allocation of Internal Administrator,” and “Paragraph 1 of the preceding Article” in Article 24, Paragraph 1 and “Paragraph 1 of the preceding Article” in Article 24, Paragraph 3 shall be read as “Article 28, Paragraph 1.”

CHAPTER IV PUBLIC ANNOUNCEMENT

(Public Announcement of Dispositions Regarding Sales Representatives, etc.)

Article 29 When making the notification prescribed in Paragraph 1 of Article 5 , Paragraph 1 of Article 6, or Paragraph 1 of Article 23,, the Association shall publicize the details concerned pursuant to each of the following Items.

1. Disciplinary Action to be publicized
 - (a) Disciplinary Action admonished by the Securities and Exchange Surveillance Commission pursuant to Article 20, Paragraph 1 of the Act for Establishment of the Financial Services Agency (only for matters related to Sales Representative) (Except in a case set forth in (b) below);
 - (b) Disciplinary Action that Rescission of Registration is imposed on sales representative ;
or
 - (c) Disciplinary Action that sales representative is judged to be treated as the Perpetrators of Inappropriate Acts .
 2. Details of public announcement
Name of the Association Member or Financial Instruments Intermediary Service Provider that there is an act causing the public announcement (unless otherwise specified), a summary of the act, the date on which Administrative Disciplinary Action or Treatment of Perpetrators of Inappropriate Acts was judged the details of the Disciplinary Action taken, and other necessary matters
 3. Duration of public announcement
 - (a) Suspension from duty for a period exceeding one month among those set forth in (a) of Item 1: one year from the date of such disposition;
 - (b) Suspension from duty for a period within one month among those set forth in (a) of Item 1: six months from the date of such disposition; or
 - (c) Suspension specified in (b) or (c) of Item 1: five years from the date of such disposition.
- 2 In addition to the provisions of the preceding Paragraph, matters concerning the public announcement of Dispositions Regarding Sales Representatives, etc., shall be specified separately by the Association.

CHAPTER V MISCELLANEOUS PROVISIONS

(Costs)

Article 30 Costs of the procedures for explanation prescribed in Chapter III, Section 1 shall be borne by the Parties Concerned, etc. except for those set forth in each item below:

1. Cost of venue on the date of explanation;

2. Cost of appraisal that was requested by the Chair with its power in the procedures for explanation;
3. Cost of written notice made by the Association

SUPPLEMENTARY PROVISIONS [Omitted]

(Note) This amendment shall come into effect on September 7, 2023. The amendment deleting Article 7 and enacting Article 29, shall apply from the notices under Article 5 Paragraph 1, Article 6 Paragraph 1, or Article 23 Paragraph 1 made on or after that date.

<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>
