

Rules on Dispositions of Members and Sales Representatives of Financial Instruments Intermediary Service Providers, etc.

Established on January 20, 2006
Revised on May 18, 2007
Revised on September 21, 2007
Revised on September 19, 2008
Revised on June 16, 2011
Revised on June 14, 2012
Revised on July 15, 2021

Chapter 1: Purpose

Article 1 Purpose

These Rules set forth necessary matters concerning disposition against a member as provided in Article 17 of the Articles of Incorporation (meaning collection of a fine, the suspension or restriction of a membership against a Full Member, and the expulsion of a Supporting Member; hereinafter referred to as a “Member Disposition”), recommendations for Full Members as stipulated in Article 18 of the Articles of Incorporation (hereinafter referred to as “Recommendation”), disposition and other measures against a Sales Representative (meaning a sales representative stipulated in Article 2 of the same Rules; the same shall apply hereinafter) set forth in the Rules for Registration, etc. of Sales Representatives (hereinafter referred to as the “Rules for Registration of Sales Representatives”). (hereinafter referred to as a “Sales Representatives Disposition.”)

Chapter 2: Investigation on Member Disposition and Sales Representatives Disposition, etc.

Article 2 Investigation

1. The Chairperson may order the secretariat to investigate any case in which a Full Member is considered to fall under any of the items in Article 17, Paragraph 1 of the Articles of Incorporation or any case in which a Full Member is considered to fall under any of the circumstances provided for in Article 18 of the Articles of Incorporation, or any case in which a Full Member is considered to fall under any of the grounds for disposition or refusal to register as a Sales Representative provided for in the Rules for Registration of Sales Representatives.
2. The Chairperson may order the secretariat to investigate any case in which a Supporting Member is considered to fall under any of the items in Article 17, Paragraph 2 of the Articles of Incorporation.
3. The Chairperson may request members to submit materials or to give written or oral explanations in order to conduct the investigations provided in the preceding two paragraphs.
4. When requested to submit materials or give explanations as provided in the preceding paragraph, a Member shall not refuse such request without a justifiable reason.

Chapter 3: Procedures for Member Disposition, etc.

Article 3 Consultation with the Disciplinary Committee

1. When the Chairperson finds it appropriate to make a Member Disposition or Recommendation to such

member as a result of the investigation provided in the preceding article or the member ~~investigation~~ (meaning the member investigation provided in Article 9 of the Operational Rules), he/she may consult with the Disciplinary Committee regarding such response and request its opinion.

2. When requesting opinions to the Disciplinary Committee under the provisions of the preceding paragraph, the Chairperson shall report to the Disciplinary Committee the result of the investigation pursuant to Paragraph 1 or 2 of the preceding article.

Article 4 Deliberation, etc. by the Disciplinary Committee

1. The Disciplinary Committee shall discuss the response (including the content and reasons thereof as well as whether or not it is appropriate to make a Member Disposition or Recommendation) to any matter consulted by the Chairperson under the provisions of the preceding article or any other matter deemed necessary by the Disciplinary Committee.
2. In order to conduct the deliberations stipulated in the preceding paragraph, the Disciplinary Committee may order the secretariat to conduct an investigation and request the secretariat to report the results of the investigation as necessary.
3. The Disciplinary Committee may, when it finds such deliberation necessary, request the members pertaining to such case to attend the Disciplinary Committee or to submit a detailed report thereof.
4. If, as a result of deliberation under the provisions of Paragraph 1, the Disciplinary Committee finds it appropriate to make a Member Disposition, the Committee shall report to the Chairperson in writing the type, extent of, and reasons for such disposition, and when the Disciplinary Committee finds it appropriate to make a Recommendation, shall report the contents and reasons thereof to such member.

Article 5 Opportunity for Defense

If the Chairperson submits the matter of Member Disposition to a General Meeting or the Board, such Member shall be given an opportunity to defend the Member Disposition, and the procedures of such defense shall be implemented according to the provisions of the By-laws on Dispositions of Members and Sales Representatives of Financial Instruments Intermediary Service Providers, etc. (hereinafter referred to as the "By-laws on Dispositions, etc.").

Article 6 Submission of matters to General Meeting, etc.

1. The Chairperson shall submit the matter to the General Meeting or the Board of Directors under the provisions of Article 17 of the Articles of Incorporation if the Chairperson finds it appropriate to undertake a Member Disposition as a result of deliberation reported by the Disciplinary Committee under Article 4, Paragraph 4.
2. The General Meeting or the Board of Directors shall in its resolution respect the results of the deliberations of the Disciplinary Committee.

Article 7 Degree of Disposition, etc.

1. The extent to which fines are levied or membership is suspended or restricted as provided in Article 17

Paragraph 1 of the Articles of Incorporation shall be as follows:

(1) Collection of a fine 100 million yen or less

Provided, however, that in the event that the matter to be disposed of falls under the act set forth in Article 17, Paragraph 1, Item 6 of the Articles of Incorporation, and the nature thereof is deemed malicious and to have significantly damaged trust in the asset management industry, the maximum amount of the fine may be set at 500 million yen.

(2) Suspension or restriction of membership no longer than 6 months

2. The collection of a fine and the suspension or restriction of membership may be combined.
3. A Full Member must perform their obligations as a Full Member even if membership is suspended or restricted.
4. The application for re-admission for a person who has been expelled shall not be accepted until one year has passed from the date of disposition.

Article 8 Recommendation

When the Chairperson finds it appropriate to request such Full Member to improve business operations, etc. as a result of the investigation provided in Article 2, Paragraph 1, or finds it appropriate to make a Recommendation as a result of deliberation reported by the Disciplinary Committee under Article 4, Paragraph 4, the Chairperson may make a Recommendation.

Article 9 Other Measures

The Chairperson may give oral or written warning (hereinafter referred to as “Warning”) to Full Members in accordance with the nature of the case, in addition to making a Member Disposition or Recommendation.

Article 10 Request for Business Improvement Plans, etc.

When the Chairperson has given any disposition, Recommendation or Warning to a Full Member, he/she may request such Full Member make a report on preparation of the business improvement plan and the state of implementation of measures based on the business improvement plan, as well as any other necessary matters.

Chapter 4: Notice and Public Announcement of Disposition to Members

Article 11 Notice of Disposition, etc.

1. When the Board of Directors decides on a Member Disposition, the Chairperson shall notify such member in writing of the kind and extent of disposition as well as the fact of and reason for the disposition.
2. When making any Recommendation, the Chairperson shall notify the member subject thereto of the content and reasons for the Recommendation in writing.

Article 12 Report to the Disciplinary Committee

If the Chairperson submit the matter of disposition against a member who has consulted with the Disciplinary Committee under Article 3 to the General Meeting or the Board of Director, the Chairperson shall report the

contents of the resolution to the members of the Disciplinary Committee.

Article 13 Announcement of Disposition

1. When the Chairperson has taken any action against a Member, he/she shall notify the other members to that effect in writing or by any other means.
2. When the Chairperson has given notice to any other Member under the provision of the preceding paragraph, he/she shall make such notice public.

Chapter 5: Procedures for Sales Representatives Disposition, etc.

Article 14 Consultation with the Disciplinary Committee

1. When the Chairperson deems it appropriate to dispose of the Sales Representative as a result of the investigation or the member investigation provided in Article 2, Paragraph 1, the Chairperson may consult with the Disciplinary Committee regarding the response thereto and request its opinion.
2. When seeking the opinion of the Disciplinary Committee pursuant to the provisions of the preceding paragraph, the Chairperson shall report to the Disciplinary Committee the result of the investigation pursuant to Paragraph 1 of Article 2.

Article 15 Deliberation, etc. by the Disciplinary Committee

1. The Disciplinary Committee shall discuss the response (including the content and reasons thereof as well as the propriety of Sales Representatives Disposition) to any matter regarding which the Chairperson consulted under the provisions of the preceding article, or any other matter deemed necessary by the Disciplinary Committee.
2. In order to conduct the deliberations stipulated in the preceding paragraph, the Disciplinary Committee may order the secretariat to conduct an investigation and request the secretariat to report the results of the investigation as necessary.
3. The Disciplinary Committee may, when it finds such deliberation necessary, request Full Members or the persons subject to the Sales Representatives Disposition pertaining to such case to attend and be interviewed or to submit detailed statements.
4. If, as a result of deliberation under the provisions of Paragraph 1, the Disciplinary Committee finds it appropriate to Sales Representatives Disposition, the Committee shall report to the Chairperson in writing the kind, extent, and reasons for such disposition, and shall notify the Full Members concerned and the persons subject to Sales Representatives Disposition.

Article 16 Opportunity for Defense, etc.

When the Chairperson intends to submit the matter of Sales Representatives Disposition to the Board of Directors, he/she shall give the Financial Instruments Intermediary Service Provider and the person subject to the Sales Representatives Disposition pertaining to such case an opportunity of explanation or hearing, and shall carry out the procedures for explanation in accordance with the By-laws on Dispositions, etc.

Article 17 Notice of Disposition, etc.

When the Board of Directors decides to dispose of Sales Representatives, the Chairperson shall notify the Full Members concerned and the persons subject to the disposition of Sales Representatives in writing of the type and extent of the disposition and the facts and reasons subject to the disposition.

Article 18 Report to the Disciplinary Committee

The Chairperson shall report to the members of the Disciplinary Committee the content of the resolution made at the Board of Directors after the matter was submitted regarding the Sales Representatives Disposition who consulted with the Disciplinary Committee in accordance with Article 14.

Article 19 Announcement of Disposition

When any Sales Representative is disposed, the Chairperson shall make public the contents of the disposition under Article 15 of the Rules for Registration of Sales Representatives.

Chapter 6: Appeal Procedure

Article 20 Appeal

A Member who has received a notice under Article 11, Paragraph 1 or a Full Member and a person subject to the Sales Representatives Disposition who has received a notice under Article 17 may file an appeal against the content of the disposition to the Appeal Examination Committee as stipulated in Article 39 of the Rules for Establishment of the Committees if he/she disagree with the content of the disposition. This appeal procedure shall be implemented in accordance with the By-laws on Dispositions, etc.

No appeal may be filed with the Appeal Examination Committee against the refusal of registration under Article 12 of the Rules for Registration of Sales Representatives and the Sales Representatives Disposition under Article 14 of the same Rules.

Supplementary Provisions

1. These Rules shall come into effect on March 1, 2006.
2. Interim Measures
 - (1) The provisions of Paragraph 1 of Article 3 shall apply from July 1, 2006, and the number of members of the Disciplinary Committee shall not exceed 11 during the period until the date of such application.
 - (2) The provisions in Paragraph 3 of Article 3 shall apply from July 1, 2007, and the term of office of the commissioned Disciplinary Committee member until such date of application shall be one year (the term of office of the committee member elected to fill a vacancy shall be the remaining term of office of the predecessor).
 - (3) Any person who is currently delegated to a member of the Fairness Committee shall be deemed to have been delegated to a member of the Disciplinary Committee, and the Rules thereof shall apply to such person on the effective date. The term of office of the committee members in this case shall be until

June 30, 2006.

Supplementary Provisions

This amendment shall come into effect on June 1, 2007.

However, the provisions of Article 12 before amendment shall apply to any matter reported to the Association before the enforcement date of such amendment provision.

Supplementary Provision

This amendment shall be implemented from the date of approval of the Articles of Incorporation by the competent authority (September 30, 2007).

Supplementary Provision

This amendment shall come into effect on October 1, 2008.

Supplementary Provisions (supplementary provisions revised on June 14, 2012)

This amendment shall be implemented from the date of registration of the establishment of the general corporation as provided in Article 106, Paragraph 1 as applied mutatis mutandis by replacing certain terms pursuant to Article 121, Paragraph 1 of the Act on Arrangement of Relevant Acts Incidental to Enforcement of the Act on General Incorporated Associations and General Incorporated Foundations and the Act on Authorization of Public Interest Incorporated Associations and Public Interest Incorporated Foundations.

Supplementary Provisions

This amendment shall be implemented from the date of registration of the establishment of the general corporation (January 4, 2013) as provided in Article 106, Paragraph 1 as applied mutatis mutandis by replacing certain terms pursuant to Article 121, Paragraph 1 of the Act on Arrangement of Relevant Acts Incidental to Enforcement of the Act on General Incorporated Associations and General Incorporated Foundations and the Act on Authorization of Public Interest Incorporated Associations and Public Interest Incorporated Foundations.

Supplementary Provisions

This amendment shall come into effect on July 15, 2021.

* The amended provisions are as follows:

- Change to the name of the Rules
- Articles 1 through 9 have been amended.
- Paragraphs 2 through 5 of Article 5 have been deleted.
- New establishment of Chapter 5 (Articles 14 through 19) and Chapter 6 (Article 20)