

Rules on Financial Instruments Intermediary Service Providers

Established on June 10, 2021

Article 1. Purpose

The purpose of these Rules is to provide for matters to be observed by Financial Instruments Intermediary Service Providers in connection with the entrustment of business pertaining to the Financial Instruments Intermediary Service by Full Members and to ensure the proper operation of business by such Financial Instruments Intermediary Service Providers through the instruction and supervision of Full Members, thereby contributing to the protection of investors.

Article 2. Definition

In these Rules, the definitions of the terms set forth in the following items are as prescribed respectively in those items.

(1) Acts of Financial Instruments Intermediation

The acts set forth in Article 2, Paragraph 11, Item 3 of the Financial Instruments and Exchange Act (Act No. 25 of 1948; hereinafter referred to as the “FIEA”).

(2) Financial Instruments Intermediary Service

Services pertaining to the acts set forth in the preceding item.

(3) Financial Instruments Intermediary Service Provider

A Financial Instruments Intermediary Service Provider prescribed in Article 4, Paragraph 1, Item 1 of the Articles of Incorporation.

(4) Officer

An officer of a corporate Financial Instruments Intermediary Service Provider who is in charge of the Financial Instruments Intermediary Service. (excluding Article 5)

(5) Employee

An employee or other worker of a Financial Instruments Intermediary Service Provider who is engaged in the Financial Instruments Intermediary Service at its business office or other offices located in Japan.

(6) Sales Representative

An officer or employee of a Financial Instruments Intermediary Service Provider who has been registered as Sales Representative of the Financial Instruments Intermediary Service Provider prescribed in Article 64, Paragraph 1 of the FIEA as applied mutatis mutandis pursuant to Article 66-25 of such Act. (excluding Article 5)

(7) Duties of Sales Representatives

The acts set forth in the provisions of each item of Article 64, Paragraph 1 of the FIEA as applied mutatis mutandis pursuant to Article 66-25 of such Act in connection with acts of financial instruments intermediation. Provided, however, that a person who has passed the Class-2 Sales Representative

Qualification Exam prescribed in Article 4, Item 2 of the Rules on Registration, etc. of Sales Representatives (hereinafter referred to as “Rules on Sales Representatives”) and has been registered under Article 3 of such Rules may not perform any of the following duties as a Sales Representative:

- (a) Complex investment trusts similar to over-the-counter derivatives transactions
- (b) Leveraged investment trusts

Article 3. Strict Compliance with Laws and Regulations, etc. for Financial Instruments Intermediary Service Providers

1. Full Members shall fully inform the Financial Instruments Intermediary Service Provider of the FIEA and other relevant laws and regulations as well as the Articles of Incorporation and other rules of the Association (hereinafter referred to as the “Laws and Regulations, etc.”) and ensure compliance with them.
2. When a Full Member learns that a Financial Instruments Intermediary Service Provider has committed any act in violation of the Laws and Regulations, etc., such Full Member shall request for the Financial Instruments Intermediary Service Provider to rectify this matter.

Article 4. Execution of Service Agreement for Financial Instruments Intermediary Service

When executing a Service Agreement for the Financial Instruments Intermediary Service, Full Members shall provide for the following matters in the Service Agreement:

- (1) Financial Instruments Intermediary Service Providers and their officers or employees shall comply with the FIEA and other relevant laws and regulations.
- (2) Full Members shall instruct and supervise Financial Instruments Intermediary Service Providers so that they comply with the Articles of Incorporation and other rules of the Associations, and the Financial Instruments Intermediary Service Provider shall adhere to these instructions from the Full Members.
- (3) If the Association has implemented any disposition or other measure for a Full Member pertaining to a Financial Instruments Intermediary Service Provider who is an individual (hereinafter referred to as an “Individual Financial Instruments Intermediary Service Provider”) or a Sales Representative of a Financial Instruments Intermediary Service Provider, the Individual Financial Instruments Intermediary Service Provider or Sales Representative shall adhere to such disposition or measure.
- (4) When the Association requests a Full Member to interview or submit material from the Financial Instruments Intermediary Service Provider, the Financial Instruments Intermediary Service Provider shall comply with these requests.
- (5) Full Members may inspect the Financial Instruments Intermediary Service Provider, and the Financial Instruments Intermediary Service Provider must comply with this inspection.

Article 5. Prohibition on Associations with Full Members’ Sales Officers and Employees

1. Full Members shall not have any person who belongs to another Full Member conduct business pertaining to the Financial Instruments Intermediary Service.
2. If a Full Member entrusts the Financial Instruments Intermediary Service with a person to whom a Sales

Representative of another Full Member belongs, such Full Member shall clearly indicate in a contract that the registration of the Sales Representative must be deleted before such Sales Representative completes the registration of the Financial Instruments Intermediary Service and that the entrusted services pertaining to the Financial Instruments Intermediary Service may not be commenced unless the registration of the Sales Representative is deleted.

3. A Full Member shall not give notification specifying any officer or other employee of a Financial Instruments Intermediary Service Provider as its own Sales Officers and Employees.

Article 6. Thoroughness of Basic Principles for Solicitation of Investment, etc.

1. Full Members must thoroughly communicate the following matters to the Financial Instruments Intermediary Service Provider to ensure adherence to them:
 - (1) To comply with Laws and Regulations, etc. and conduct business activities exclusively for investors, ensuring that investor's trust is the highest priority at all times.
 - (2) To maintain a sufficient understanding of customer's investment experience, purpose of investment, financial resources, etc., and endeavor to solicit investment suited to the customer's intention and current situation.
 - (3) To give sufficient explanations to customers and endeavor to garner their understanding with regard to significant matters pertaining to transactions for acts of financial instruments intermediation.
 - (4) When soliciting investment, to make customers understand that investments should be made at their sole discretion and responsibility.
2. A Full Member shall establish a system in which the Financial Instruments Intermediary Service Provider uses the "Customer Card" provided by the Full Member pursuant to Article 6 of the Rules for Direct Offerings of Beneficiary Certificates and appropriately solicits investment as set forth in Articles 6-2 and 6-3 of such Rules.

Article 7. Establishment of Customer Management System for Financial Instruments Intermediary Service Provider, Establishment of Internal Rules and Internal Control, etc.

Full Members shall instruct Financial Instruments Intermediary Service Providers to establish, maintain, and strictly adhere to internal rules so as to ensure the proper transactions with customers through the Financial Instruments Intermediary Service Provider and proper customer management system, and shall assess the business operations of such Financial Instruments Intermediary Service Provider.

Article 8. Prevention of Solicitation of Excessively Speculative Transactions

Full Members must properly instruct and manage the Financial Instruments Intermediary Service Providers so that they will not solicit excessively speculative transactions from customers.

Article 9. Examination of Representation of Advertising, etc. by Financial Instruments Intermediary Service Providers

1. Full Members shall not have a Financial Instruments Intermediary Service Provider make any display of

advertising, etc or any provision of gifts, etc. pertaining to the Financial Instruments Intermediary Service conducted by the Financial Instruments Intermediary Service Provider unless these have been examined in accordance with the provisions of the Rules on Display of Advertising, etc. and Provision of Gifts, etc. (hereinafter referred to as the “Rules on Advertising, etc.” in the following paragraph).

2. When the Association deems the display of advertising, etc. and provision of gifts pertaining to the Financial Instruments Intermediary Service provided by the Financial Instruments Intermediary Service Provider is in violation or is likely to be in violation of the provisions of Articles 3 or 4 of the Rules on Advertising, etc., the Association may request the Full Member to submit a report or materials.
3. Full Members shall comply with any requests for submission of reports or materials prescribed in the preceding paragraph.

Article 10. Publicity of Complaint and Consultation Office for Customers

Full Members shall make known to Financial Instruments Intermediary Service Providers to pass onto customers its department in charge of handling complaints filed by customers and disputes with customers pertaining to the services of the Financial Instruments Intermediary Service Provider.

Article 11. Prohibition of Duties of Unqualified Sales Representatives

1. Full Members shall prevent an Individual Financial Instruments Intermediary Service Provider from performing the duties of a Sales Representative unless any of the requirements in provisions of each item of Article 4 of the Rules on Sales Representatives are satisfied.
2. The scope of the Sales Representative’s duties under the preceding paragraph shall be in accordance with the classification in Article 2, Item 7.

Article 12. Attendance, etc. in Sales Representative Qualification Renewal Training for Individual Financial Instruments Intermediary Service Providers

1. Full Members shall have Individual Financial Instruments Intermediary Service Providers attend a sales representatives qualification renewal training course as set forth in Article 20 of the Rules on Sales Representatives (hereinafter referred to as the “Qualification Renewal Training”) so as to complete this within the period set forth in the following items (hereinafter referred to as the “Compulsory Attendance Period” in this Article):
 - (1) within 180 days after the date services were commenced; or
 - (2) within one year from the first day of the month every fifth year after the date services were commenced.
2. The provisions of the preceding paragraph shall not apply in those cases falling under any of the following items:
 - (1) A person who has, within 2 years prior to the first day of the Compulsory Attendance Period, passed the qualification exam or has completed a Qualification Renewal Training under the Rules Concerning Qualification Examination for Sales Representatives, etc., established by the Japan Securities Dealers Association (hereinafter referred to as the “Rules for Qualification Examination by JSDA”);
 - (2) A person who has passed the qualification exam under the Rules for Qualification Examination by JSDA

within the Compulsory Attendance Period;

- (3) A person whose attendance in a Qualification Renewal Training is deemed difficult due to unavoidable circumstances (This may be subject to certain conditions as deemed necessary by the Association.).
3. The Association shall suspend all sales representative qualifications of any Individual Financial Instruments Intermediary Service Provider who has not completed the Qualification Renewal Training within the Compulsory Attendance Period on the day following the final day of this Period (referred to as the “Compulsory Attendance Deadline” in Paragraph 5) and shall notify such Individual Financial Instruments Intermediary Service Provider to that effect through the Full Member.
4. A Full Member shall not have a person whose qualifications as a Sales Representative has been suspended pursuant to the preceding paragraph perform the duties of a Sales Representative until such suspension is cancelled.
5. Full Members shall endeavor to have any Individual Financial Instruments Intermediary Service Providers whose qualification as a Sales Representative has been suspended under the provisions of Paragraph 3 attend Qualification Renewal Training so as to complete such Training within 180 days from the day after the Compulsory Attendance Deadline (hereinafter referred to as the “Grace Period” in this Article).
6. The Association shall cancel the suspension of sales representative qualifications for any person who has completed the Qualification Renewal Training in the Grace Period on the date of completion, and shall notify the Individual Financial Instruments Intermediary Service Provider to that effect through the Full Member.
7. If a person fails to complete the Qualification Renewal Training during the Grace Period (including cases where the registration of a Sales Representative is deleted during the Grace Period), the Association shall rescind sales representative qualifications from the Association for that person on the day after the final day of the Grace Period, and shall notify the Individual Financial Instruments Intermediary Service Provider to that effect through the Full Member.
8. When notifying under Paragraph 3, Paragraph 6, or the preceding paragraph, the Association shall inform all Full Members to which the Individual Financial Instruments Intermediary Service Provider belongs to of this notification.

Article 13. Prohibited Acts

Full Members shall prevent an Individual Financial Instruments Intermediary Service Provider from performing any of the acts set forth in the following items:

- (1) Solicitation through the provision of conclusive evaluations about price increases or decreases for beneficiary certificates, etc. (meaning beneficiary certificates (including book-entry transfer beneficial interest in an investment trust), investment securities (including book-entry transfer investment equity) or investment corporation bond certificates (including book-entry transfer investment corporation bonds); the same shall apply hereinafter);
- (2) Solicitations that present false representations or representations which are likely to cause a misunderstanding of significant matters;
- (3) Solicitations or actions that oblige customers to bear all or part of any losses;
- (4) Solicitations or actions with a promise to offer special benefits to customers

- (5) Having a customer acquire beneficiary certificates, etc. while knowing that interested parties of a Full Member are providing credit to the customer on the condition that the customer purchases said beneficiary certificates, etc.
- (6) Solicitations for the acquisition of an amount of beneficiary certificates, etc. that exceeds the customer's financial resources as known through the customer card, etc.
- (7) Handling direct offerings or private placement for beneficiary certificates, etc. on a customer account without obtaining the customer's consent;
- (8) Solicitations or actions that obligate customers to share profits or losses;
- (9) Accepting an application to acquire beneficiary certificates, etc. from a customer while knowing that the customer is using a name other than their own
- (10) Not immediately delivering to the other party any money deposited by a customer, any beneficiary certificates, etc. requested to be deposited at an asset management company, any money to be delivered to a customer, any beneficiary certificates, etc. to be returned, and any documents relating to the business
- (11) The lending or borrowing of money or beneficiary certificates, etc. to or from customers in connection with the handling of direct offerings or private placement of Beneficiary Certificates, etc.
- (12) Actions that divulge any secret that may have become known over the course of duties
- (13) Not explaining significant matters of a switchover of beneficiary certificates, etc. (meaning the acquisition of beneficiary certificates, etc. following the early cancellation of part of an investment trust agreement involving actually held beneficiary certificates, etc., the refund of investment units, or the sale of such beneficiary certificates, etc.) to customers (except professional investors (meaning professional investors as defined in Article 2, Paragraph 31 of the FIEA (excluding those customers deemed to not be professional investors as defined in Article 34-2, Paragraph 5 of such Act and including those deemed as professional investors as defined in Article 34-3, Paragraph 4 of such Act (including when applied mutatis mutandis pursuant to Article 34,-4, Paragraph 6 of such Act)).) when soliciting such a switchover of beneficiary certificates, etc.

Article 14. Misconduct

Full Members shall instruct and supervise the Individual Financial Instruments Intermediary Service Provider so as not to conduct any of the acts set forth in the following items (hereinafter referred to as "Misconduct"):

- (1) Executing a customer's order without confirming the contents thereof;
- (2) Soliciting to mislead customers on any of the matters set forth in (a) through (c) below:
 - (a) The nature of the securities
 - (b) The conditions of the transaction
 - (c) An increase or decrease in the price of securities
- (3) Mishandling business due to negligence in the execution of a customer's order;
- (4) Erroneously executing a customer's orders due to the malfunctioning of an electronic data processing system; or
- (5) Committing any other act in violation of laws and regulations.

Article 15. Disposition of Violators

If an Individual Financial Instruments Intermediary Service Provider (including an entity that was an Individual Financial Instruments Intermediary Service Provider; the same shall apply hereinafter except Article 18) commits an act that violates any laws and regulations or any of the provisions of Article 11 or Article 13 herein or that is misconduct prescribed in the preceding article in connection to the Financial Instruments Intermediary Service, the Full Member shall take the appropriate disposition of such Individual Financial Instruments Intermediary Service Provider according to the nature of the violation.

Article 16. Accident Report

1. If a Full Member is discovered to have caused any loss to a customer through any act of an Individual Financial Instruments Intermediary Service Provider that violates any laws or regulations or the provisions of Article 11 or Article 13 herein or that is misconduct set forth in Article 14 herein, in connection with the Financial Instruments Intermediary Service, such Full Member shall immediately submit to the Association an accident report by means of the Attached Form using the “Electronic Notification and Storage System for Notification from Members of the Association” (hereinafter referred to as the “Notification Management System of Investment Trusts Association”). Provided, however, that this shall not apply to cases where the misconduct set forth in Article 14, Items 1 and 2 are due to negligence as well as the misconduct set forth in Item 3.
2. Whenever a new matter to be reported arises with regard to the content of the report in the preceding paragraph, Full Members shall resubmit to the Association the report in that paragraph detailing these circumstances using the Notification Management System of Investment Trusts Association.
3. When requested by the Association to provide an explanation or evidential documents pertaining to the contents of a report submitted as prescribed in the preceding two paragraphs, the Full Member shall comply with such requests without delay.

Article 17. Disposition for the Suspension of Sales Representative Qualification Requirements

1. When the result of the examination of reported details from Full Members pursuant to the provision of the preceding article indicates that an Individual Financial Instruments Intermediary Service Provider has violated any laws and regulations in connection with the duties of a Sales Representative or business incidental thereto or has committed extremely inappropriate acts in connection with such duties, the Association shall suspend the validity of its registration qualification requirement as a Sales Representative for a period not longer than 2 years (hereinafter referred to as the “Disposition for the Suspension of Sales Representative Qualification Requirements”).
2. A Full Member shall not have an Individual Financial Instruments Intermediary Service Provider who has become subject to suspension of Sales Representative qualification requirements pursuant to the provisions of the preceding paragraph or Article 11 herein perform the duties of a Sales Representative during the period in which the validity of these Sales Representative qualification requirements are suspended.

Article 18. Attendance in In-House Training for Individual Financial Instruments Intermediary Service Providers

Full Members shall have Individual Financial Instruments Intermediary Service Providers attend annual in-house training as stipulated in Article 21 of the Rules on Sales Representatives, in addition to Qualification Renewal Training.

Article 19. Training for Subjects of Disposition

Full Members shall promptly have any person who has become subject to suspension of sales representative qualification requirements pursuant to the provisions of Article 17 herein attend the training designated by the Association.

Article 20. Report

When a case occurs that falls under any of the following items, a Full Member shall report the details thereof to the Association without delay by a predetermined method.

- (1) When a person who has entered into the Service Agreement for the Financial Instruments Intermediary Service has been registered as conducting the Financial Instruments Intermediary Service;
- (2) When entrusting services for acts of financial instruments intermediation to a Financial Instruments Intermediary Service Provider;
- (3) When ceasing the entrustment under the preceding item to the Financial Instruments Intermediary Service Provider;
- (4) When the trade name or name of the Financial Instruments Intermediary Service Provider is changed;
- (5) When the Local Finance Bureau with which the Financial Instruments Intermediary Service Provider is registered (Local Finance Branch Bureau) is changed;
- (6) When any Financial Instruments Intermediary Service Provider or its officers or employees have been found to have committed an act in violation of any laws or regulations or any of various rules in connection with the Financial Instruments Intermediary Service (excluding cases where an "Accident Report" has been submitted under the provisions of Article 7 of the Rules on Services of Employees, etc. Engaged in Financial Instruments Intermediary Services; the same shall apply in the following item);
- (7) When details of the acts in the preceding item have been identified;
- (8) When it's found that an inspection under the provisions of the FIEA has been commenced or has been completed for the Financial Instruments Intermediary Service Provider;
- (9) When it's found that the Financial Instruments Intermediary Service Provider is subject to a rescinded registration, suspension of services, or dismissal of an officer under the provisions of Article 66-20 of the FIEA;
- (10) When it's found that the Financial Instruments Intermediary Service Provider or its officers or employees have been sentenced to a fine or severer punishment under the provisions of the FIEA or any other laws and regulations in connection with the Financial Instrument Intermediary Service;
- (11) When it's found that the Financial Instruments Intermediary Service Provider has become a party to any litigation or mediation in connection with the Financial Instrument Intermediary Service or that such

litigation or mediation has been concluded;

(12) In addition to aforementioned in the preceding item, anything deemed necessary by the Association.

Article 21. Handling Entrustment by Multiple Full Members

1. If two or more Full Members entrust the Financial Instruments Intermediary Service to one Financial Instruments Intermediary Service Provider, these Full Members shall, upon consultation with each other, designate one of them to represent the multiple Full Members (hereinafter referred to as the “Representative Full Member”). The Representative Full Member shall immediately notify the Association thereof using the Notification Management System of Investment Trusts Association with the written consent of the Financial Instruments Intermediary Service Provider. The same shall apply when the Representative Full Member has been changed.
2. The Representative Full Member shall carry out the procedures pertaining to Financial Instruments Intermediary Service Providers with the Association set forth in the following items:
 - (1) Submission of Application for Registration, etc. of Sales Representatives as stipulated in Article 9, Paragraph 1 of the Rules on Sales Representatives;
 - (2) Reporting under Items 1, 4 and 5 of the preceding article;
 - (3) Procedures for training for persons whose duties as Sales Representatives are suspended as stipulated in Article 15 of the Rules on Sales Representatives;
 - (4) Procedures to attend Qualification Renewal Training as stipulated in Article 22 of the Rules on Sales Representatives;
 - (5) In addition to aforementioned in the preceding item, anything deemed necessary by the Association.
3. If notifying the Financial Instruments Intermediary Service Provider is necessary in the preceding paragraph, the Association shall do so through the Representative Full Member.

Supplementary Provision

These Rules shall come into effect on the date of approval (July 1, 2021) by the competent government agency for amendments to Articles of Incorporation.