

Attachment 2

Check items and checkpoints for segregated management of customer assets

- General Matters

Check Items	Check Points
1. Are internal rules, regulations, and procedures for segregated management clearly provided for?	(i) Whether internal rules, etc. are established in conformity with reality. (ii) Concerning the adjustment of money, securities, and trust, whether administrative guidelines, etc. are established and functioning properly at the respective divisions in charge.
2. Are internal audit and inspections clearly defined and implemented on a regular basis?	Obtain guidelines on in-house audit and inspections and inquire about the subject and period of the in-house audit and inspection actually conducted.
3. Is reporting structure to a compliance officer for the segregated management (meaning the person in charge at legal compliance department; the same shall apply hereinafter) established?	Inquire whether the system for reporting the status of segregated management to the compliance officer for the segregated management is clearly specified in the internal rules, etc., and examine the records of internal audit and inspections.
4. Is there a system in place to take appropriate measures in the event of any shortage of customer segregated trust fund, improper redemption, erroneous management of securities, and so forth?	Inquire the manager in charge of segregated management about the policy for dealing with any violation of the laws, regulations, etc. relating to the segregated management. In addition, inquire such manager whether there has been any violation of the laws, regulations, etc. relating to segregated management during the past one year, and inquire about any subsequent measures taken in case of any violation.

Check Items	Check Points
5. When there has been any change in the laws, regulations, or rules relating to the segregated management of customer assets, have the details of such change been communicated to the department in charge?	Inquire the manager in charge of segregated management how to make everyone in the company fully aware of any change in the relevant laws and regulations. In addition, inquire such manager how thoroughly they have informed the persons concerned of the actions taken in response to the results in relation to the inspection by the Financial Services Agency and the investigation by the Investment Trust Association.
6. Whether appropriate measures are taken for computer programs and systems related to the segregated management of customer assets as necessary.	Inquire the manager in charge of segregated management about whether or not the computer programs and systems related to the segregated management have been modified in the past and how to adjust such programs and systems in case of any revision to the laws, regulations, etc. related to the segregated management. Furthermore, inquire such manager about how to ensure the reliability of the computer systems utilized for the segregated management.
7. Whether appropriate internal measures are being taken to protect the customer data related to segregated management.	Inquire the manager in charge of segregated management about the system to prevent any unauthorized access to the customer data related to segregated management, password control, and other related matters. Moreover, inquire such manager about the backup system in case of any system error.
8. Are appropriate measures taken for the matters pointed out in the inspections by the Financial Services Agency or the investigation by the Investment Trust Association?	Inquire the manager in charge of segregated management about the matters pointed out in the inspection by the Financial Services Agency or the investigation by the Investment Trust Association and the company's responses thereto.

I. Segregated management of money

Check Items	Check Points
<p>A. Has the necessary amount of segregated customer fund (hereinafter in this document referred to as the “Necessary Amount”) been accurately calculated?</p>	<p>Is the Necessary Amount calculated by deducting the total amount allowable for deduction from the sum of the credit balance of the customer account [Note] and the deposit related to public offering, etc.?</p> <p>Note: In case of calculating on a daily trial basis, care should be taken not to perform such calculation of the Necessary Amount by deducting a customer’s outstanding balances from another customer’s deposit balance, such as deducting advance payment to a customer (debit) from deposit from another customer (credit).</p> <p>Comprehensiveness of records: Whether all account items to be included in the Necessary Amount are subject to calculation.</p> <p>When a new account item is created, whether proper consideration is given as to the inclusion of such item in the calculation of Necessary Amount.</p> <p>Validity of records: Whether the payment received to be processed on the day is included.</p> <p>Whether any abnormal value caused by accounting error, etc. is appropriately corrected.</p> <p>Safekeeping of records: Is the process of calculating Necessary Amounts saved?</p>
<p>B. If money is entrusted in the segregated customer trust fund, is the account processing handled appropriately?</p>	<p>(i) Whether such money is accounted for in the “Segregated Customer Trust Fund,” one of the “Deposit” items.</p> <p>(ii) Whether the account is processed at the time of establishment or redemption of the segregated customer trust fund.</p>
<p>1. Are the credit balances in the customer ledger accurately calculated?</p> <p>(a) Deposits from customers; advances for purchase of securities,</p>	<p>(i) Whether the Necessary Amount is calculated in a unit of one yen.</p> <p>(ii) Whether the base sheet for calculating the Necessary Amount is prepared and checked on a daily basis.</p>

Check Items	Check Points
<p>temporary deposit from sale proceeds of securities, and so forth</p> <p>(b) Deposit related to public offering, etc.; payment receipt, etc. for public offering or private placement of securities,</p> <p>(c) Other deposits received;</p>	<p>(iii) Among deposits from customers, whether the calculation of Necessary Amount includes those that are customers' money that remains undelivered at the Branch after completing the payment process, sales proceeds of a customer returned as result of remittance error, etc., or customers' deposit to be returned to them due to cancellation of public offering.</p> <p>(iv) Whether the time limit for daily deposit processing is clearly specified in the internal rules, etc., and any deposit confirmed within such time limit is included in the calculation of the Necessary Amount of the day. In addition, whether the deposit confirmed after such time limit of the day is properly included for the calculation of the Necessary Amount on the following business day.</p> <p>(v) When any delay occurs in the delivery of the securities for sale from a customer (including a delay in transfer of paperless securities), whether the customer's deposit concerned with such sale proceeds is subject to calculation of the Necessary Amount.</p> <p>(vi) In case of accepting check (this branch, other branch, etc.) or any other equivalent to money from a customer, whether such deposit is subject to calculation of the Necessary Amount.</p> <p>(vii) Whether interests, dividends, redemption money, etc. are included in the calculation of Necessary Amount.</p> <p>(viii) In an event of any unidentified receipt detected, whether such receipt is subject to calculation of the Necessary Amount when such receipt is proved to be attributable to a customer as result of prompt investigation thereof.</p>

I. Segregated management of money

Check Items	Check Points
	(ix) In the event that collection of money for customers' purchase of securities is commissioned to a collection agency in contracts among customers, financial instruments business operator, and such agency, whether the money retained at such agency is included in the calculation of the Necessary Amount.
2. Are the deposits related to public offering, etc. accurately calculated?	(i) Whether the deposits related to public offering, etc. are subject to calculation of the Necessary Amount. (ii) Whether the deduction of subscriptions for public offering etc. is not in excess of the deposit related to public offering, etc.
3. Is the allowable deduction accurately calculated? (a) Advance payments (among advance payments for the purchase fund, etc., limited to those for which securities pertaining to such purchase are subject to the segregated management as set forth in Article 43-2 of the Financial Instruments and Exchange Act)	(i) Whether or not advance payment to a customer is deducted from deposit received from another customer. (ii) Among advance payments for the purchase fund, etc., whether such advance payment is deducted in spite of the fact that the securities pertaining to such purchase have not been segregated in accordance with 43-2 of the Financial Instruments and Exchange Act.

II. Segregated Customer Trust Fund

Check Items	Check Points
<p>1. Whether a trust agreement for a segregated customer trust fund has been entered into with a Financial Instruments Business Operator as assignor and its customer as the beneficiary of the principal.</p>	<p>(i) Whether the trust agreement has been entered into between the Financial Instruments Business Operator as settlor with its customer as the beneficiary of the principal and a trust company or a financial institution engaged in trust business as trustee.</p> <p>(ii) Whether the Financial Instruments Business Operator has a beneficiary’s agent.</p> <p>(iii) Whether the beneficiary’s agent has been appointed from the following persons in order to sufficiently fulfill the required duties.</p> <p>(1) In case of internal appointment, a representative director or any other person equivalent thereto who is responsible for the management of business execution, or</p> <p>(2) In case of external appointment, a person who has suitable qualification to supervise the execution of the fiduciary duties such as lawyer, certified public accountant, and so forth.</p> <p>(iv) If a Financial Instruments Business Operator concludes trust contracts with multiple trustees, whether the beneficiary agent for these contracts is the same person.</p> <p>(v) When any of the events set forth in each item of Article 79-53, Paragraph 1 of the Financial Instruments Act applies to the relevant Financial Instruments Business Operator, whether the beneficiary agent is the person set forth in (iii)(2) above.</p> <p>(vi) When a Financial Instruments Business Operator decides to discontinue the business in relation to the Direct Offering, etc. or comes to fall under any of the events set forth in each item of Article 79-53, Paragraph 1 of the</p>

II. Segregated Customer Trust Fund

Check Items	Check Points
	<p>Financial Instruments Act, whether such Financial Instruments Business Operator is to immediately notify the beneficiary agent (meaning the beneficiary’s agent set forth in (v); the same shall apply hereinafter) to that effect.</p> <p>Furthermore, whether the beneficiary agent is to immediately notify the trustee to that effect when such agent receives notice from the Financial Instruments Business Operator.</p> <p>(vii) When any of the events set forth in each item of Article 79-53, Paragraph 1 of the Financial Instruments Act applies to the Financial Instruments Business Operator, whether it is properly provided for that the Financial Instruments Business Operator is prohibited from giving investment instructions to the trustee except for cases specifically approved by the beneficiary agent.</p> <p>(viii) If there is any change in the company name(s) (trade name), its representative, address, registered seal impression, or the address, name, registered seal impression, etc. of the beneficiary agent, whether the prescribed procedures are taken at the trustee bank, etc.</p> <p>(ix) If there is a change of the trust bank to which the segregated customer trust fund is entrusted, whether the cancellation of the existing contract and the new contract with the relevant trust bank is concluded in a manner not to cause any discontinuity in managing the segregated customer trust fund.</p>
<p>2. Concerning the segregated customers’ fund, is the balance of the trust bank is properly collated against the book balance? If there is any discrepancy between the balances, are</p>	<p>(i) Concerning the amount of segregated customers fund, whether the regular collation of balances is being performed: For example: Reconciliation between the Necessary Amount and the amount in the segregated customer trust fund on Adjustment Calculation Record Date (balance on the notice sent from the trust bank at a time of each trust</p>

II. Segregated Customer Trust Fund

Check Items	Check Points
<p>appropriate measures taken?</p>	<p>adjustment (e.g., “Notice on procedures for money trust”));</p> <ul style="list-style-type: none"> - Verification between the deposit book balance and statements delivered regularly by the trust bank in accordance with the contract; and - Calculation of appraisal value in case of holding the securities in the securities trust or corporate investment fund (Tokkin fund), etc. <p>(ii) Whether any instruction concerned with the establishment or dissolution of the segregated customer trust fund is being verified.</p> <p>(iii) In case of any discrepancy, whether the cause analysis thereof is performed.</p> <p>(iv) If the cause of any discrepancy cannot be determined, whether the relevant manager promptly reports the matter to the Internal Audit Division with the compliance officer, etc.</p>
<p>3. If the appraisal value of the principal of the trust property on the Adjustment Calculation Record Date is less than the Necessary Amount, whether such shortfall has been filled to the trust by the adjustment date.</p>	<p>(i) With regard to the adjustment to the Necessary Amount, whether at least one day per week, the standard date for the adjustment of the Necessary Amount (the Adjustment Calculation Record Date) is established. Then, if the appraisal value of the principal of the trust property on such Adjustment Date is less than the Necessary Amount, whether such shortfall is eliminated through adding trust property in the amount equivalent to the shortfall within three business days from the day following the Adjustment Calculation Record Date.</p> <p>(ii) Whether the internal rules provide for the relevant treatment when the Adjustment Calculation Record Date pertinent to the segregated customer trust fund is a holiday (whether such Record Date is to be advanced to the previous business day or postponed to the next business day).</p>

II. Segregated Customer Trust Fund

Check Items	Check Points
	<p>(iii) If the Necessary Amount on the adjustment date has changed after the calculation of the fund amount for the segregated customer trust, whether recalculation is conducted.</p> <p>(iv) In case of any change to the schedule for the Adjustment Calculation Record Date for the customer segregated fund, whether such change is reflected in the trust agreement and internal rules. Furthermore, after such change, whether the first day of new Adjustment Calculation Record Date is not more than one week from the previous Adjustment Calculation Record Date.</p>
<p>4. When trust contract pertinent to the segregated customer trust fund (excluding the segregated customer trust fund pertaining to over-the-counter derivatives transactions, etc. of subject securities; the same shall apply in this paragraph) is terminated in whole or in part pursuant to the following items, whether such termination is made within the scope of the amount set forth therein.</p> <p>(a) Where the principal of the trust property exceeds the Necessary Amount; in the event that the appraisal value of the principal of the trust property on the</p>	<p>(i) In the event of termination or partial termination of the segregated customer trust fund, whether any of the following conditions is satisfied;</p> <p>(a) In the event that the appraisal value of the principal of the trust property on the Adjustment Calculation Record Date exceeds the Necessary Amount, termination or partial termination of the trust contract shall be made within the amount equivalent to such excess amount;</p>

II. Segregated Customer Trust Fund

Check Items	Check Points
<p>Adjustment Calculation Record Date exceeds the Necessary Amount, an amount equivalent to such excess amount,</p> <p>(b) Where paying the deposit related to public offering, etc.;</p> <p style="padding-left: 40px;">amount of segregated customer fund equivalent to the deposit related to public offering, etc. on the payment date thereof,</p> <p>or</p> <p>(c) Where transferring the administration of segregated customer fund to another trust; amount of trust property to be transferred,</p>	<p>(b) Termination or partial termination of the trust contract shall be made within the amount equivalent to the amount of the segregated customer fund pertaining to the deposit related to public offering, etc. on the payment date thereof; or</p> <p>(c) Cancellation or partial cancellation of a trust contract shall be made in order to transfer the administration of the segregated customer fund to another trust contract.</p> <p>(ii) Whether or not there is any shortage in trust or improper cancellation concerned with the customer segregated fund. If any, whether necessary and appropriate measures have been taken.</p> <p>(iii) If payment of the deposit related to public offering, etc. is scheduled after the adjustment date, whether the Necessary Amount is calculated by deducting such large payment for subscription from the Necessary Amount, and addition of trust property or termination is made based on such calculation.</p>
<p>5. Is the segregated customer trust fund appropriately managed pursuant to the</p>	<p>(i) Which form the segregated customer trust fund adopts; money trust, securities trust, or comprehensive trust.</p>

II. Segregated Customer Trust Fund

Check Items	Check Points
Financial Services Agency notifications?	<p>(ii) In case of managing as a money trust, whether such trust is investing in appropriate assets (excluding an instance where a principal guarantee contract is concluded).</p> <p>(iii) In case of managing as a money trust, whether the appraisal value of securities under custody is based on the market price on the Adjustment Calculation Record Date.</p> <p>(iv) In case of managing as a jointly operated money trust with a principal guarantee contract, whether the principal amount of the trust is deemed as the appraisal value as it is.</p> <p>(v) In case of managing as a securities trust or a comprehensive trust of money and securities, whether the securities to be entrusted are of the type of securities specified in the Public Notice of the Financial Services Agency.</p> <p>(vi) In case of managing as a securities trust or a comprehensive trust of money and securities, whether the appraisal value of the securities in trust has been calculated applying the ratio as provided for in the Public Notice of the Financial Services Agency.</p> <p>(vii) With regard to a securities trust or a comprehensive trust of money and securities, whether or not the entrusted securities are invested.</p> <p>(viii) With regard to a securities trust or a comprehensive trust of money and securities, whether the location of the securities entrusted thereto is clearly defined in the account books.</p>

III. Segregated Management of Securities

Check Items	Check Points
<p>1. Whether an appropriate contract is concluded to deposit the securities entrusted by customers in relation to transactions with such customers (hereinafter in this document referred to as the “Customer Securities”)?</p>	<p>(i) Whether contracts between a Financial Instruments Business Operator and their customer (e.g., Custody Contract, Transfer Account Contract, etc.) are concluded as appropriate.</p> <p>(ii) Whether each contract provides for the method of administration (book-entry transfer settlement (method of custody to enter into or record in transfer account book; the same shall apply hereinafter), simple custody, commingled custody, or joint custody) and place of custody (account management, third-party custody).</p> <p>(iii) In the event that the securities are under custody of a third-party custody agency regardless of their location; domestic or foreign, whether the customers’ consents for such redeposit are obtained. (However, such consent for redeposit may not be required in some cases such as outsourcing to a stock transfer agency according to a safe-deposit contract). <<Reference>> Depository agency and control method</p> <p>(a) Account Management: Book-Entry Transfer Settlement: Investment trust beneficiary certificates, etc. handled through the central depository system pursuant to the Act on Book-Entry Transfer of Bonds, Shares, etc.</p> <p>(b) Third-party custody Simple custody: Stock certificates, etc. of unlisted companies whose handling is being outsourced to a stock transfer agency Commingled custody: Stock certificates of unlisted companies, bonds (stock transfer agency), foreign securities, etc. Joint custody: cumulative investment products, etc.</p>

III. Segregated Management of Securities

Check Items	Check Points
<p>2. Upon identifying the securities subject to the segregated management under the relevant laws and regulations, whether a member company specifically segregates such securities according to the actual situation of each, and appropriately manages them separately.</p>	<p>(i) Customer Securities to be segregated</p> <ul style="list-style-type: none"> (a) Securities entered into or recorded in, the transfer account book; (b) Securities temporarily deposited by a customer for sale (in case of an engagement contract); (c) Securities under custody (simple deposit contract or commingled deposit contract); or (d) Newly purchased securities of a customer where purchase price for such securities has not been received and amount equivalent to the advance payment pertaining to such purchase is deducted from the customer's segregated fund for calculation purpose:
<p>3. Is the appropriate segregated management is practiced in accordance with the respective method of control (book-entry transfer settlement, simple custody, commingled custody, or joint custody) as provided for in the relevant laws and regulations?</p>	<ul style="list-style-type: none"> (i) In the case of book-entry transfer settlement, whether the share of each customer pertaining to the Customer Securities is immediately identifiable based on the member's own accounting books, etc. (ii) In case of simple custody, whether ownership concerned with each certificate of the Customer Securities under custody is identifiable by filing them according to each customer, managing them according to securities number, or other means. (iii) In case of commingled custody, whether the share of each customer pertaining to the Customer Securities is immediately identifiable based on the member's own accounting books, etc. (iv) With regard to the securities owned jointly with customers, whether such securities are identified and the share of each customer is readily identifiable based on the member's own accounting books, etc.
<p>4. Are appropriate internal measures taken for storage facilities, etc.?</p>	<p>(i) Whether storage facilities and management methods are specifically provided for in internal rules, etc.</p>

III. Segregated Management of Securities

Check Items	Check Points
	<p>(ii) Whether the member has taken specific internal measures to confirm whether the third-party organization is performing the custody business safely and reliably. For example;</p> <ul style="list-style-type: none"> - Whether the credit status of such third-party organization is checked by examining their credit ratings, - Whether it has been verified that the custody business is properly conducted through external audits, etc., and the verification results or proof thereof have been obtained in order to understand the details of such verification to a certain extent, - Whether the member has taken any specific measures internally, such as examining the classification method of the Customer Securities for each storage location, and - With regard to a third-party organization, whether standards for identifying organizations subject to investigation and those not subject to such investigation are established in internal rules, etc., and internal responses are in compliance with such rules.
<p>5. Is appropriate response being taken for any transfer of the Customer Securities?</p>	<p>(i) With regard to any transfer of the Customer Securities that have been entrusted to the third-party organization, whether the balance after such transfer or such securities transferred are verified against the data (transfer statement data, etc.) at each transfer.</p>
<p>6. In case of a third-party custody (book-entry transfer settlement, simple, or commingled custody), whether the custody balance statements of such third-party institution are appropriately collated against the balance of the company's own accounting books, etc.? (i) Regular reconciliation</p>	<p>(i) Whether the statement balance of deposited securities prepared and delivered by a third-party organization is collated periodically against the balance of the accounting books, etc. of the Customer Securities. Examples of a third-party organization subject to such collation (output slip, certificate, etc.);</p> <ul style="list-style-type: none"> (a) Japan Securities Depository Center (b) Securities Transfer Agency (c) Others

III. Segregated Management of Securities

Check Items	Check Points
<p>(ii) Cause and resolution of any discrepancy identified</p> <p>(iii) Countermeasures against discrepancy identified</p>	<p>(ii) When any discrepancy is identified between the balance of the accounting books, etc. and the statement balance given by the third-party organization concerned with the Customer Securities as a result of verification, whether the reason for such discrepancy is confirmed to be reasonable. The main examples of discrepancy;</p> <ul style="list-style-type: none"> (a) Failure (b) Period from the time of withdrawing the actual securities to the time of delivery thereof according to the customer request (c) Input error (d) Others <p>(iii) If any discrepancy is confirmed in the balances of the Customer Securities after checking the cause of such discrepancy, whether such discrepancy is reported promptly to the manager in charge of custody business.</p> <p>(iv) Whether any shortage of the Customer Securities is promptly eliminated in addition to investigating the cause, etc. of any discrepancy in the balances if such shortage is detected.</p> <p>(v) If the cause of discrepancy, etc. cannot be clarified through the investigation by the manager in charge of custody business, whether such incidence is reported in a timely manner to the compliance officer, the internal audit division, etc.</p>

End.