

# OPERATIONAL RULES

## CHAPTER 1. GENERAL PROVISIONS

### **(Purpose)**

**Article 1.** The purpose of these Operational Rules is to stipulate the methods of business for the Japan Investor Protection Fund (hereinafter referred to as “Fund”) pursuant to Article 79-51 of the Financial Instruments and Exchange Act (Act No. 25 of 1948) (hereinafter referred to as “FIEA”), thereby contributing to the proper and smooth operations of business.

### **(Terms)**

**Article 2.** The terms used in these Operational Rules shall have the same meanings as those used in the FIEA and the Articles of Incorporation, unless otherwise specifically specified herein.

## CHAPTER 2. MEMBERS

### **Article 3. Deleted**

### **(Eligibility Requirements of Member Representatives and Others)**

**Article 4.** The Member Representative and his/her agent set forth in Article 9, Paragraph 1 of the Articles of Incorporation, must be a person who respectively meets the requirement stipulated in any of the following items:

- (1) The Member Representative shall be a registered representative director (or a representative executive officer in the case of a company with a nominating committee and other committees), provided, however, that if the member is a foreign corporation, the Member Representative shall be a domestic representative set forth in Article 29-2 of the FIEA (including an acting representative stipulated in Article 65, Paragraph 1 of the FIEA),
- (2) The agent of the Member Representative shall be a registered board member (or an executive officer in the case of a company with a nominating committee and other committees), a manager (including an apparent manager) or a person having the authority corresponding to these people, provided, however, that if the member is a foreign corporation, the agent of the Member Representative shall be the person having the authority corresponding to the domestic representative, and
- (3) A person who does not fall under any of Article 29-4, Paragraph 1, Item 2, Sub-items (a) through (i) of the FIEA.

### **(Matters Subject to Notification and Others)**

**Article 5.** The cases to be specified by the Operational Rules stipulated in Article 10, Paragraph 1 of the Articles of Incorporation shall be those set forth in any of the following items:

- (1) A member becomes insolvent or is likely to become insolvent,
- (2) A member’s capital adequacy ratio falls below 140%,
- (3) A member falls under the provision of Article 29-4, Paragraph 1, Item 5, Sub-item (b) of the FIEA,
- (4) A member’s net assets become less than the amount of stated capital,
- (5) A member suspends its securities-related business or commodity derivatives transaction-related business or resumes the business,

- (6) A case where a member ceases to be a specified member of a consignor protection fund under the FIEA
  - (7) A member finds that a petition to commence bankruptcy proceedings, rehabilitation proceedings, reorganization proceedings or special liquidation proceedings is filed (if the member is a foreign corporation, it finds that a petition to commence bankruptcy proceedings, rehabilitation proceedings, reorganization proceedings, or special liquidation proceedings is filed in Japan, or finds that the same kind of petition is filed in the country where its head office is located based on the laws and regulations of such country).
  - (8) A member falls under the provision of Article 13, Paragraph 1, Item 3 of the Articles of Incorporation, and
  - (9) In addition to the cases stipulated in the preceding each item, any situation specified by the Board of Directors occurs to the member.
2. The cases to be specified by the Operational Rules stipulated in Article 10, Paragraph 3 of the Articles of Incorporation shall be those set forth in any of the following items:
- (1) A member changes its trade name or name,
  - (2) A member changes the amount of stated capital or the total amount of contributions (or if the member is a foreign corporation, the amount of stated capital or the total amount of contributions and the amount of capital brought in),
  - (3) A member changes the location of its head office (or if the member is a foreign corporation, its head office, and the principal business office or its office in Japan, and the same shall apply to the following Item),
  - (4) Residence indication of the head office is changed,
  - (5) The Member Representative or his/her agent is changed or the official title of the Member Representative or his/her agent is changed,
  - (6) A member merges with another corporation, succeeds to all or part of another corporation's businesses (limited to those relating to securities services, and/or commodity derivatives transaction-related business, the same shall apply to hereafter) in a company split, or acquires all or part of another corporation's businesses,
  - (7) A member has all or part of its business succeeded to in a company split,
  - (8) A member transfers all or part of its businesses,
  - (9) A member turns out to engage in activities of specified securities management set forth in Article 16, Paragraph 1, Item 14 of the Cabinet Office Ordinance on Definitions under Article 2 of the Financial Instruments and Exchange Act (Ordinance of the Ministry of Finance No. 14 of 1993), or discontinues it.
  - (10) A member changes the end date of its fiscal year,
  - (11) There is any change in the status of a member's major shareholders (meaning the major shareholders set forth in Article 29-4, Paragraph 2 of the FIEA),
  - (12) The officer set forth in Article 29-2, Paragraph 1, Item 3 of the FIEA ((including a person that is found to have at least the same amount of authority as an officer over the member, irrespective of title, and the same shall apply to the following Item) is changed,
  - (13) Official title of the officer set forth in the preceding Item is changed, and
  - (14) In addition to the cases stipulated in each preceding item, the Fund finds it to be particularly necessary to conduct its business.

**(Membership Application Form and Documents Attached thereto)**

**Article 6.** The membership application form set forth in Article 11, Paragraph 1 of the Articles of Incorporation shall be a form that is separately determined.

2. The documents to be attached to the membership application form set forth in Article 11, Paragraph 2 of the Articles of Incorporation shall be a form that is separately determined.

**(Notification of Admission Approval)**

**Article 7.** If the Fund approves the admission of a joining applicant pursuant to the provisions of Article 11 of the Articles of Incorporation, the Fund shall notify the applicant joining and each member thereof.

**(Amount and Other Matters of the Admission Fee)**

**Article 8.** The admission fee set forth in Article 12 of the Articles of Incorporation shall be 1 million yen.

2. The admission fee of the preceding Paragraph must be paid immediately after registration pursuant to Article 29 of the FIEA or a member has the change registered in accordance with Article 31, Paragraph 4 of the FIEA.

**(Application Form for Withdrawal from Fund)**

**Article 9.** The application form for withdrawal from the Fund set forth in Article 14, Paragraph 1 of the Articles of Incorporation shall be a form that is separately determined.

**(Requirements and Other Matters for Withdrawal Approval)**

**Article 10.** The amount of expenses to be borne by a member that has withdrawn from the Fund set forth in Article 13, Paragraph 4 of the Articles of Incorporation shall be determined by the Board of Directors.

2. The approval requirements for withdrawal from the Fund set forth in Article 14, Paragraph 2 of the Articles of Incorporation shall be the requirement stipulated in any of the following items:
  - (1) Such member has fully repaid the obligation to the Fund borne as a member at the time of the application for approval, and its performance of the obligation prescribed in Article 13, Paragraph 4 of the Articles of Incorporation is expected to be assured.
  - (2) Such member has gone through the process for joining another investor protection fund.

**(Notification in case of Withdrawal)**

**Article 11.** If a member withdraws from the Fund, the Fund shall notify the member withdrawn from the Fund and each member thereof pursuant to the provisions of Article 13 of the Articles of Incorporation.

**CHAPTER 3. PAYMENT TO GENERAL CUSTOMERS  
UNDER ARTICLE 79-56, PARAGRAPH 56 OF FIEA)**

**(Recognition)**

**Article 12.** If the Fund receives a notice under the provisions of Article 79-53, Paragraph 1 or Paragraphs 3 through 5, it must, within 2 weeks from the receipt of such notice, in principle, reach a recognition as to whether it is difficult for the member to which such notice pertains (hereinafter referred to as "Member That Is the Subject of Notice") to perform its obligations in connection with the refunding of customer assets after deliberation by the Governing Council (hereinafter referred to as "Council"), unless it is found that there would be clearly no risk of investor protection.

2. The Fund shall, if it is deemed necessary for the recognition of the preceding Paragraph, request that the Commissioner of the Financial Services Agency provide the Fund with the materials relating to the Member That Is the Subject of a Notice or allow the Fund to inspect such materials.

**(Public Notice of Recognition)**

**Article 13.** If the Fund, pursuant to the provisions of the preceding Article, reaches the recognition that it is difficult for the Member That Is the Subject of Notice to smoothly perform its obligations in connection with the refunding of customer assets, it must promptly specify the following matters after deliberation of the Council and issue public notice thereof:

- (1) Period and place of notification of the claim set forth in Article 79-56, Paragraph 1 of the FIEA,
  - (2) Notification method of the claim set forth in Article 79-56, Paragraph 1 of FIEA,
  - (3) Period, place and method of the payment of the amount set forth in Article 79-56, Paragraph 1 of the FIEA,
  - (4) Documents and other instruments to be submitted or presented to the Fund by general customers in making the claims set forth in Article 79-56, Paragraph 1 of the FIEA, and
  - (5) Other matters as deemed necessary by the Fund.
2. If any cause stipulated in the following Items occurs with regard to the member that is subject to the recognition referred to in the preceding Paragraph (hereinafter referred to as a "Distressed Member") after the Fund has issued the public notice under the provisions of the preceding Paragraph, the Fund may change the period of notification which has been issued in the public notice pursuant to the preceding Paragraph, Item 1:
- (1) Public notice of distribution under the provisions of Article 197, Paragraph 1 of the Bankruptcy Act (Act No. 75 of 2004) (including as applied mutatis mutandis pursuant to Article 209, Paragraph 3 of the same Act),
  - (2) Notification pursuant to the provisions of Article 79-55, Paragraph 5 of the FIEA,
  - (3) Confirmation of reorganization plan pursuant to the provisions of Article 199, Paragraph 1 of the Corporate Reorganization Act (Act No. 154 of 2002),
  - (4) Confirmation of rehabilitation plan pursuant to the provisions of Article 174, Paragraph 1 of the Civil Rehabilitation Act (Act No. 225 of 1999), and
  - (5) In the event that the payment in accordance with the provisions of Article 60, Paragraph 5 of the Act on Book-Entry of Company Bonds, Shares, etc. (Act No. 75 of 2001) (hereinafter referred to as the "Book-Entry Act") shall be made.
3. If the Fund changes the period of notification pursuant to the provisions of the preceding Paragraph, it must issue public notice thereof without delay.
4. When the Fund specifies the matters prescribed in Paragraph 1 or if it changes the period of notification pursuant to the provisions of Paragraph 2, it must immediately report it to the Commissioner of the Financial Services Agency and the Minister of Finance.

**(Method of Public Notice)**

**Article 14.** The public notices pursuant to the preceding Article, Paragraph 1 or 3 by the Fund shall be published in the official gazette or a daily newspaper that reports matters regarding the current events, or be posted at the place of business of such member or in such other manner deemed appropriate.

**(Payment Procedures to General Customers)**

**Article 15.** When the Fund receives the claim for payment from any general customer of the Distressed Member, the Fund shall cause the customer to submit or present the following documents and others to the Fund:

- (1) Payment request,
  - (2) Identity verification documents, and
  - (3) Documents and other instruments as deemed necessary by the Fund.
2. The Fund shall receive the claims of the preceding Paragraph only during the period notified publicly in accordance with the provisions of Article 13, Paragraph 1 or 3, provide, however,

that this does not apply if there has been a natural disaster or if the Fund otherwise finds there to be a compelling reason for the failure to make a request within the period of notification.

### **(Payment to General Customers)**

**Article 16.** At the request of a general customer of the Distressed Member, the Fund shall pay the amount calculated pursuant to the provisions of Paragraph 3 on any claim that such general customer has against such Distressed Member (limited to the claim for the customer assets of said general customer) as of the day that the Fund issues public notice pursuant to Article 13, Paragraph 1 and found by the Fund that it would be difficult for such Distressed Member to make smooth payment (hereinafter referred to as "Claims to Be Compensated").

2. The cases where the Fund finds that it would be difficult for such Distressed Member to make smooth payment in accordance with the preceding Paragraph means those where such Distressed Member would be unable to fully pay such claim given the status of such Distressed Member's assets and status of implementation of separate management of customer assets (or segregated management when the customer assets are those connected with subject commodity derivatives transaction-related transactions) or it would take significant number of days to pay for such claim.
3. The calculated amount of the Claim to be Compensated of Paragraph 1 shall be the amount calculated pursuant to the provisions of Article 3 of the Order on Investor Protection Funds (Ordinance of the Ministry of Finance No. 125 of 2008).
4. Notwithstanding the provisions of Paragraph 1, the Fund shall not make the payment referred to in the same Paragraph to any person specified in each Item of Article 18-11 of Order for Enforcement of the Financial Instruments and Exchange Act (Cabinet Order No. 321 of 1965).

### **(Amount of Payment)**

**Article 17.** If the Distressed Member's general customer making the request set forth in the preceding Article, Paragraph 1 falls under any of the following Items, the amount that must be paid by the Fund pursuant to the provisions of Paragraph 3 of the same Article shall be, notwithstanding the provisions of the same Paragraph, equivalent to the amount under the provisions of the same Paragraph less the amount provided for in any of such Items:

- (1) If the general customer has provided the whole or a part of the customer assets that are under the Claim to Be Compensated as the subject matter of a security interest: the amount relevant to the portion that has been provided as the subject matter of the security interest among the amount of the relevant whole or part of the customer assets provided as the subject matter of the security interest set forth in the preceding Article, Paragraph 3 (or if such amount exceeds the amount of the secured claim connected with the security interest, the amount of the secured claim connected with such security interest),
- (2) If the general customer has incurred an obligation to such Distressed Member: the amount of the obligation (or if the general customer falls under the preceding Item in connection with such obligation, the amount of the obligation less the amount provided for in the same Item), or
- (3) If the customer assets that are subject to the Claim to Be Compensated include a Claim to Be Compensated specified in Article 60, Paragraph 1 of the Book-Entry Act: The amount of customer assets equivalent to the Claims to Be Compensated set forth in the same Paragraph, as valued pursuant to the provisions of Article 4-2 of the Order on Investor Protection Funds (Ordinance of the Ministry of Finance No. 125 of 2008) (or if the provisions of the Article 60, Paragraph 5 of the Book-Entry Act apply to such

customer assets, such amount less the amount of payment reduced pursuant to the provisions of the same Paragraph).

2. In paying the amount to be paid pursuant to Article 79-57, Paragraph 1 of the FIEA (limited to where the case falls under the one stipulated in the same Paragraph, Item 3), the Fund shall exchange the necessary information and be in close communication with the trustees under Article 52 of the Book-Entry Act so that such payment is smoothly and surely made.
3. In the case where any member is regarded as a general customer pursuant to the provisions of Article 79-20, Paragraph 2, the preceding Article, Paragraph 1 or the Paragraph 1 of this Article shall be applied to each general customer of such member causing the member to be regarded as such general customer regarding that it has the position of a general customer.
4. If the amount to be paid in accordance with the provisions of the preceding Article, Paragraph 1 and the Paragraph 1 of this Article exceeds 10 million yen, the amount to be paid shall be 10 million yen.

**(Acquisition of Claim to Be Compensated)**

**Article 18.** If the Fund has made the payment referred to in Article 16, Paragraph 1, it acquires the Claim to Be Compensated in connection with such payment and in line with the amount it pays.

2. In the event that the Fund has acquired the Claim to Be Compensated pursuant to the preceding Paragraph, the Fund shall take measures deemed necessary to preserve and exercise the claim and try to collect the whole or a part of the claim if there is such a possibility.

**CHAPTER 4. LENDING OF FUNDS PURSUANT TO  
THE PROVISIONS OF ARTICLE 79-59 OF THE FIEA**

**(Loans of Funds for Refunds)**

**Article 19.** Based on the application of the Member That Is the Subject of Notice (excluding a Distressed Member) which has received the recognition from the Commissioner of the Financial Services Agency specified in Article 79-59, Paragraph 2 of the FIEA or the agent of the beneficiary of the Member That Is the Subject of Notice (meaning the agent of the beneficiary of a trust prescribed in Article 43-2, Paragraph 2 of the FIEA, hereinafter referred to as "Member That Is the Subject of a Notice and Others"), the Fund may loan the necessary funds for the expeditious performance of obligations connected with the refunding of customer assets (hereinafter referred to as "Loan of Funds for Refunds") to such Member That Is the Subject of a Notice and Others, within the limits of the amount that is found to be necessary.

2. The Fund shall extend the Loan of Funds for Refunds only if all of the requirements stipulated in the following each Item are met:
  - (1) Providing the Loan of Funds for Refunds is found to be necessary for the expeditious performance of obligations connected with the refund of customer assets, and
  - (2) It is found to be possible to rely upon the proceeds of the Loan of Funds for Refunds being used for the expeditious performance of obligations connected with the refund of customer assets.
  - (3) If the Fund intends to extend the Loan of Funds for Refunds pursuant to the provisions of the preceding Paragraph, it shall determine the interest rate and other terms and conditions for such Loan of Funds for Refunds considering the financial situation, required expenses and other matters and request any collateral in principle.

**(Application of Loans of Funds for Refunds)**

**Article 20.** The Fund shall receive the notification from the Commissioner of the Financial Services Agency that the recognition of eligibility has been done pursuant to the provisions of Article 79-59, Paragraph 3 of the FIEA.

2. In the event that the Fund receives the application for the Loans of Funds for Refunds from the Member That Is the Subject of Notice and Others, it shall request the submission of the application form for Loans of Funds for Refunds and other related documents as deemed necessary by the Fund.

**(Decision on Loans of Funds for Refunds)**

**Article 21.** If the application for the Loans of Funds for Refunds of the preceding Article has been filed, the Fund shall decide whether the Loans of Funds for Refunds pertaining to such application may be extended or not, within 2 weeks from the date of such application, after deliberation of the Council, the amount of the Loans of Funds for Refunds and other matters deemed necessary for extending the Loans of Funds for Refunds.

2. The Fund shall, if it is deemed necessary to make the decision of the preceding Paragraph, request that the Commissioner of the Financial Services Agency provide the Fund with the materials relating to the Member That Is the Subject of Notice or allow the Fund to inspect such materials.
3. When the Fund makes the decision prescribed in Paragraph 1, it must immediately report it to the Commissioner of the Financial Services Agency and the Minister of Finance.

**(Execution of Agreement relating to Loans of Funds for Refunds)**

**Article 22.** When the Fund decides to extend the Loans of Funds for Refunds pursuant to the provisions of the preceding Article, Paragraph 1, it shall execute the contract relating to such Loans of Funds for Refunds with the Member That Is the Subject of Notice and Others which has applied such Loans of Funds for Refunds.

**CHAPTER 5. JUDICIAL AND NON-JUDICIAL ACTS UNDER PROVISIONS OF ARTICLE 79-60 OF FIEA AND SERVICES CONTRIBUTING TO PROMPT RETURN OF CUSTOMER ASSETS UNDER PROVISIONS OF ARTICLE 79-61 OF FIEA**

**(Judicial or Non-judicial Acts)**

**Article 23.** If the Fund finds it necessary in order to preserve the fulfillment of a claim that a general customer has against a Financial Services Provider That Is the Subject of a Notice (limited to a claim involving the customer assets of that general customer), the Fund, within the scope of this necessity, shall perform the services relating to any and all judicial and non-judicial acts that are necessary for preserving the fulfillment of such claim on behalf of such general customer.

2. Before performing a judicial act pursuant to the provisions of the preceding Paragraph, the Fund shall notify the general customer that the Fund represents in such act of the content of such act.
3. If the Fund receives the notice pertaining to extinguishing the authority of representation of the Fund from the general customer to which it has notified pursuant to the provisions of the preceding Paragraph, the authority to represent such customer will extinguish.

**(Services and Other Matters for Contributing to Expeditious Return of Customer Assets)**

**Article 23-2.** The Fund shall perform the services contributing to expeditious return of customer assets as prescribed in Article 79-61 of the FIEA.

**CHAPTER 6. SUBMISSION OF CUSTOMER LISTS AS PRESCRIBED IN THE PROVISIONS OF CHAPTER 4, SECTION 5, CHAPTER 5, SECTION 3 AND CHAPTER 6, SECTION 3 OF THE ACT ON SPECIAL TREATMENT OF CORPORATE REORGANIZATION PROCEEDINGS AND OTHER INSOLVENCY PROCEEDINGS OF FINANCIAL INSTITUTIONS AND OTHER SERVICES UNDER THESE PROVISIONS**

**Article 24.** The Fund shall submit customer lists and perform other services as prescribed in the provisions of Chapter 4, Section 5, Chapter 5, Section 3 and Chapter 6, Section 3 of the Act on Special Treatment of Corporate Reorganization Proceedings and Other Insolvency Proceedings of Financial Institutions (Act No. 95 of 1996) and perform other services in an appropriate manner.

**CHAPTER 7. SERVICES AS BANKRUPTCY TRUSTEE AND OTHERS**

**(Services as Bankruptcy Trustee and Others)**

**Article 24-2.** If the Fund is appointed as any position set forth in any of the following Items (hereinafter referred to as “Bankruptcy Trustee and Others” by any court or the person having the authority to appoint a person at such position pursuant to the provisions of the Bankruptcy Act, Civil Rehabilitation Act, Corporate Reorganization Act or Act on Recognition of and Assistance for Foreign Insolvency Proceedings (Act No. 129 of 2000), the Fund shall assume such appointed position:

- (1) Bankruptcy trustee, provisional administrator, bankruptcy trustee representative or provisional administrator representative stipulated in the Bankruptcy Act,
  - (2) Supervisor, trustee, provisional administrator, trustee representative or provisional administrator representative stipulated in the Civil Rehabilitation Act,
  - (3) Trustee, trustee representative, provisional administrator, provisional administrator representative or supervisor stipulated in the Corporate Reorganization Act, and
  - (4) Recognition trustee, provisional administrator, recognition trustee representative or provisional administrator representative.
2. If the Fund assumes the position of Bankruptcy Trustee and Others pursuant to the provisions of the preceding Paragraph, it shall perform services as the Bankruptcy Trustee and Others in proper fashion pursuant to the Bankruptcy Act, Civil Rehabilitation Act, Corporate Reorganization Act or Act on Recognition of and Assistance for Foreign Insolvency Proceedings.

**CHAPTER 8. SERVICES AS THE SPECIAL OVERSIGHT AGENT SPECIFIED IN ARTICLE 126-4, PARAGRAPH 3 OF THE DEPOSIT INSURANCE ACT AND THE CORPORATION AGENT STIPULATED IN ARTICLE 126-6, PARAGRAPH 1 OF THE SAME ACT**

**(Services as Special Oversight Agent)**

**Article 24-3.** In the event that the Deposit Insurance Corporation entrusts the whole or part of implementation of oversight pertaining to designation of special oversight to be conducted by the Deposit Insurance Corporation (limited to those relating to the member) to the Fund in accordance with the provisions of Article 126-4 of the Deposit Insurance Act (Act No. 34 of 1971) (hereinafter referred to as “Deposit Insurance Act”), the Fund shall assume the position of special oversight agent.

2. If the Fund assumes the position of special oversight agent, the Fund shall provide the financial institution and others under special oversight with necessary advice, instructions or



recommendations for ensuring the implementation of the plan prepared pursuant to the provisions of Article 126-3, Paragraph 5 and any other necessary advice and others with regard to the execution of its business, and management and disposition of its property in proper fashion pursuant to the Deposit Insurance Act.

**(Services of Corporation Agent)**

**Article 24-4.** In the event that the Deposit Insurance Corporation appoints the Fund as the corporation agent with respect to the whole or part of the business pertaining to the injunction ordering specified management to be conducted by the Deposit Insurance Corporation (limited to those relating to the member) in accordance with the provisions of Article 126-6 of the Deposit Insurance Act, the Fund shall assume the position of corporation agent.

2. If the Fund assumes the position of the corporation agent pursuant to the provisions of the preceding Paragraph, it will acquire the whole or part of the rights stipulated in Article 126-5, Paragraph 2 of the Deposit Insurance Act exclusively belonging to the Deposit Insurance Corporation and shall exercise the rights in proper fashion pursuant to the Deposit Insurance Act.

**CHAPTER 9. ENTRUSTMENT OF SERVICES**

**(Entrustment of Services)**

**Article 25.** The Fund shall entrust a part of its services to a Financial Instruments Business Association or a member, with the advance authorization of the Commissioner of the Financial Services Agency and the Minister of Finance.

2. The Fund shall execute a service entrustment contract setting forth the kinds and content of services to be entrusted, term of entrustment and other matters deemed necessary in entrusting the services of the preceding Paragraph.

**CHAPTER 10. REQUEST FOR PETITION TO COMMENCE BANKRUPTCY PROCEEDINGS**

**(Request for Petition to Commence Bankruptcy Proceedings)**

**Article 25-2.** In the event that even if the Fund has requested that a member file a petition to commence bankruptcy proceedings pursuant to the provisions of Article 10-2 of the Articles of Incorporation, such member does not file the petition to commence the bankruptcy proceedings without just cause, the Fund may request the Prime Minister to file the petition to commence the bankruptcy proceedings pursuant to the provisions of Article 490, Paragraph 1 of the Act on Special Treatment of Corporate Reorganization Proceedings and Other Insolvency Proceedings of Financial Institutions.

2. If the petition to commence bankruptcy proceedings is filed by the Prime Minister as a result of the request of the preceding Paragraph and if it is deemed particularly necessary for the Fund to achieve the purpose of the Fund in an efficient way (limited to the case where it is expected to save costs for the services stipulated in Article 52 of the Articles of Incorporation) in consideration of financial resources, condition of property and other situations of the member subjected to such petition, the Fund may bear the expenses necessary for such bankruptcy proceedings.

## CHAPTER 11. LEVIES

### (Payment of Levies)

**Article 26.** The Fund shall, for each fiscal year, determine the amount of levies to be borne by each member (the member belonging to the Fund on the date beginning such fiscal year (the Member That Is the Subject of Notice of which levies are exempted, a new member stipulated in Article 27-2, Paragraph 1 and the specified bridge financial service provider (that is the specified bridge financial service provider set forth in Article 126-34, Paragraph 3, Item 3, the same shall apply hereafter) which does not conduct the specified assumption of business and others (meaning the specified assumption of business, etc. stipulated in Article 126-34, Paragraph 1 of the Deposit Insurance Act, the same shall apply hereafter) are excluded, the same shall apply in this and the following Articles), and notify such each member thereof together with the due date and payment method thereof with 2 months from the commencement of such fiscal year, except for the fiscal year for which the Fund changes the calculation base amount prescribed in the provisions of the following Article, Paragraph 1 to zero pursuant to the provisions of the proviso of the Paragraph 2 of the same Article.

2. The member shall pay the levies to the Fund within 3 months from the commencement of such fiscal year in accordance with the provisions of the preceding Paragraph, provided, however, that the member may, with the Fund's approval, pay the amount equivalent to one half of the amount of such levies within 3 months from the date having lapsed 6 months from the commencement date of such fiscal year.
3. The approval in the proviso of the preceding Paragraph shall be made by resolution of the Board of Directors.

### (Amount of Levies)

**Article 27.** The amount of levies for each member is the total amount specified in each of the following:

- (1) The amount obtained through dividing the amount equivalent to twenty one-hundredths of the calculation base amount by the number of members,
  - (2) The amount obtained through multiplying the amount equivalent to forty one-hundredths of calculation base amount by the percentage obtained through dividing the amount of operating revenue of each member (the amount of operating revenue for the second preceding fiscal year of the member's fiscal year including the levies payable date (in the event that the number of months of the second preceding year is less than 12 months, the amount obtained through dividing the operating revenue by the number of months of such fiscal year and then multiplying by 12 (rounding off fractions less than one yen) and zero in cases where such amount becomes less than zero, the same shall apply hereafter) by the total amount of the operating revenues of all members.
  - (3) The amount obtained through multiplying the amount equivalent to forty one-hundredths of calculation base amount by the percentage obtained through dividing the amount of customer assets to be compensated of each member (meaning the amount of customer assets to be compensated for the second preceding fiscal year of the member's fiscal year including the levies payable date, the same shall apply in this Item) by the total amount of customer assets of all members.
2. The calculation base amount in the preceding Paragraph shall be 5 billion yen, provided, however, that if the balance of the Fund for investor protection at the end of a fiscal year reaches the sufficient amount in consideration of the anticipated amount of the expenses required for services relating to the Fund for investor protection and in the cases equivalent thereto, the Fund may change the calculation base amount for the following fiscal year through the resolution of general meeting of members.

3. The sufficient amount in consideration of the anticipated amount of the expenses required for services relating to the Fund for investor protection as prescribed in the proviso of the preceding Paragraph shall be 50 billion yen.
4. If a member has merged with another member, succeeded the whole or part of another member's business due to a company split (which shall be limited to securities-related business and/or commodity derivatives transaction-related business, provided, however, that when said other member is a specified member of a consignor protection fund under the Financial Instruments and Exchange Act, it shall be limited to those pertaining to securities-related business, the same shall apply to hereafter and Item 1, Paragraph 1 of Article 27-2) or acquired the whole or part of another member's business, the amount of operating revenue of such member and such other members specified in Paragraph 1, Item 2 and the amount of customer assets to be compensated for specified in the same Paragraph, Item 3 shall be calculated by reasonable method in consideration of the merger, succession of business due to company split or acquisition or transfer of business.
5. If the amount of levies contains fractions less than 1,000 yen, the fractions shall be rounded off.
6. A member shall submit the materials necessary for calculation of the amount of levies in accordance with the method determined by the Fund.

**(Levies for New Members)**

**Article 27-2.** The Fund shall notify a member that newly joined the Fund during each fiscal year (hereinafter referred to as "New Member" in this Article and Article 27-4) of the amount of levies to be paid together with the information on due date and payment method at the time of joining, provided, however, that this is not applied if the New Member falls under any of the following:

- (1) If the New Member joins to the Fund in order to merge with other member (excluding the merger in which such New Member will disappear due to the merger), succeed all business of the other member due to a company split or acquire all business of the other member and obtains the Fund's approval, and
  - (2) If the New Member is a specified bridge financial service provider that has not received a decision that it shall carry out the specified assumption of business and others.
2. The member shall pay the levies to the Fund by the due date in accordance with the provisions of the preceding Paragraph,
  3. The levies for the New Member shall be 4 million yen.
  4. The approval under Paragraph 1, Item 1 shall be made by resolution of the Board of Directors.

**(Treatment of Levies for a Member that is a Specified Bridge Financial Service Provider)**

**Article 27-3.** A member that is a specified bridge financial service provider is not required to pay the levies until it is decided that such member shall carry out the specified assumption of business and others.

2. In the event it has been decided that the member that is a specified bridge financial service provider shall carry out the specified assumption of business and others, such member must pay levies stipulated in the preceding Article, Paragraph 3 as the levies for the fiscal year in which such decision has been made and pay the levies for the following fiscal years pursuant to the provisions of Article 26, Paragraph 2.

**(Exception of Levies Exemption)**

**Article 27-4.** The case to be specified by the Operational Rules under Article 59, Paragraph 2, Proviso of the Articles of Incorporation shall be the case set forth in any of the following Items:

- (1) If the Fund makes the payment of Article 16, Paragraph 1 to a general customer of the member having paid levies to the Fund, and
- (2) If the New Member has paid levies pursuant to Article 27-2 for the fiscal year in which the Fund changes the calculation base amount of Paragraph 1 of Article 27 to zero pursuant to the provisions of the Proviso of the Paragraph 2 of the same Article.

**(Delinquent Charges)**

**Article 28.** If a member fails to pay its levies by the due date for payment, it must pay a delinquency charge to the Fund.

2. The amount of a delinquency charge is calculated by multiplying the amount of unpaid levies by an annual rate of 14.5 percent, based on the number of days from the day following the due date for payment until the day of payment.

**CHAPTER 12. MISCELLANEOUS PROVISIONS**

**(Establishment of Details)**

**Article 29.** The Chairman shall separately establish the necessary matters relating to this Operational Rules.

**SUPPLEMENTARY PROVISIONS**

**Article 1.** These Operational Rules shall be enforced from the date of establishment of the Fund.

**Article 2.** For the fiscal years from the fiscal year including the Fund establishment date to Fund's fiscal year to which the day determined by the Cabinet Order stipulated in Paragraph 1 of Article 7 of the Supplementary Provisions of the Securities and Exchange Act belongs, a member shall pay, as levies, the amount obtained through multiplying the amount of levies calculated pursuant to the Detailed Regulations for Levies by the percentage of levies specified by the provisions of Supplemental Provisions Article 5 of the Securities and Exchange Act.

**Supplementary Provisions (August 11, 1999)**

These revisions shall come into force on August 12, 1999.

(Note) The revised provisions are as follows:

Paragraph 1 of Article 3 and Paragraph 3 of Article 26 are revised.

**Supplementary Provisions (June 26, 2000)**

These revisions shall come into force on July 1, 2000.

(Note) The revised provisions are as follows:

Paragraph 2 of Article 12, Paragraph 4 of Article 13, Paragraph 3 of Article 16, Paragraph 1 of Article 19, Paragraph 1 of Article 20, Paragraphs 2 and 3 of Article 21 and Paragraph 1 of Article 25 are revised.

**Supplementary Provisions (December 26, 2000)**

These revisions shall come into force on January 6, 2001.

(Note) The revised provisions are as follows:

Paragraph 4 of Article 13, Paragraph 3 of Article 21 and Paragraph 1 of Article 25 are revised.

## **Supplementary Provisions (March 20, 2003)**

**Article 1.** The revision shall come into force on April 1, 2003.

**Article 2.** In the fiscal year 2003, notwithstanding the provisions of Paragraph 2 of Article 27, the calculation base amount set forth in Paragraph 1 of the same Article shall be zero and the provisions of Article 26 are applied.

**Article 3.** A member that has newly joined the Fund during the fiscal years 2001 or 2002 shall pay the amount of levies specified in any of the following Items (the amount specified in Sub-item b of Item 2 and Item 3 for a member that has newly joined the Fund during the fiscal year 2001) in addition to the levies stipulated in the provisions of Articles 26 and 27:

- 1 Amount of Levies in Fixed Rate for Fiscal Year during Which Member has joined
  - a. Levies Amount in Fixed Rate of Operating Income:

The amount obtained through multiplying the amount of operating income in the member's fiscal year in which the member has joined the Fund (zero yen, if such amount is less than zero, the same shall apply to Sub-Item b (1) of the next Item, and Sub-Item b (1) of Item 3 by the average burden ratio (the percentage obtained through dividing the total burden percentages with respect to the operating income from fiscal years 1998 to 2000 by 3, the same shall apply to Sub-Item b (1) of the next Item and Sub-Item b (1) of Item 3), and
  - b. Amount of Levies in Fixed Rate in connection with Sales Representatives:

The amount obtained through multiplying the number of sales representatives as of the end of the member's fiscal year in which the member has joined the Fund by the average burden ratio (the percentage obtained through dividing the total burden percentages of the operating income from fiscal years 1998 to 2000 by 3, the same shall apply to Sub-Item b (2) of the next Item and Sub-Item b (2) of Item 3),
- 2 Amount of Levies for Fiscal Year Following the Fiscal Year in Which Member has joined:
  - a. Fixed amount of levies: 1 million yen,
  - b. Amount of levies in fixed rate:
    - (1) Levies Amount in Fixed Rate of Operating Income:

The amount obtained through multiplying the amount of operating income of 12 months from the month in which the member has joined the Fund by the average burden ratio, and
    - (2) Levies Amount in Fixed Rate of Sales Representative:

The amount obtained through multiplying the number of sales representatives of 12 months from the month in which the member has joined the Fund by the average burden ratio, and
- 3 Amount of Levies for Fiscal Year Following the Fiscal Year in Which the Member has Joined:
  - a. Fixed amount of levies: 1 million yen,
  - b. Amount of levies in fixed rate:
    - (1) Levies Amount in Fixed Rate of Operating Income:

The amount obtained through multiplying the amount of operating income of the fiscal year following the member's fiscal year including the date of joining by the average burden ratio, and
    - (2) Levies Amount in Fixed Rate of Sales Representatives:

The amount obtained through multiplying the number of sales representatives of the fiscal year following the member's fiscal year including the date of joining by the average burden ratio.

2. The fund shall calculate the amount of levies to be paid by a member during the fiscal year following the fiscal year in which the member has joined the Fund for the levies specified in the Item 1 of the preceding Paragraph and the fixed amount of levies set forth in Sub-Item a of Item 2 of the same Paragraph, and during the fiscal year after next of the fiscal year in which the member has joined the Fund for the amount of fixed ratio levies specified in Sub-Item b of the same Item and the levies set forth in Item 3 of the same Paragraph, and notify such member thereof together with the information on the due date and payment method.

(Note) The revised provisions are as follows:

- (1) Paragraph 1 of Article 3 is deleted and Paragraphs 2 and 3 are amended. Paragraphs 4 through 6 of Article 26 are amended.
- (2) Items 1 and 2 of Article 4, Item 6 of Paragraph 1 and Item 6 of Paragraph 2 of Article 5, Item 2 of Paragraph 2 of Article 13, Article 24, Paragraphs 1 through 3 of Article 26, and Paragraph 1 of Article 27 are revised.
- (3) Items 7 through 9 of Paragraph 2 of Article 5 are moved down by one Item respectively to Items 8 through 10, and Item 7 is newly established.
- (4) Item 3 of Paragraph 2 of Article 13, Items 1 through 3 of Paragraph 1 of Article 27, Paragraphs 2 through 6 of Article 27 and Paragraphs 1 through 4 of Article 27-2 are newly established.

#### **Supplementary Provisions (March 25, 2004)**

The revision shall come into force on April 1, 2004.

(Note) The revised provisions are as follows:

Items 1 and 3 of Article 4, Item 3 of Paragraph 1 of Article 5 and Paragraph 4 of Article 16 are revised.

#### **Supplementary Provisions (November 25, 2004)**

The revision shall come into force on December 1, 2004, provided, however, that the revision of Table of Contents, Article 5, Items 1 through 4 of Paragraph 2 of Article 13, the title of Chapter 5 and Article 24 comes into force on January 1, 2005.

(Note) The revised provisions are as follows:

- (1) Table of Contents, Item 6 of Paragraph 1 of Article 5, Item 1 of Paragraph 2 of Article 13, the titles of Chapter 5 and Article 24 are revised.
- (2) Paragraph 2 of Article 17 is moved down by one Paragraph to Paragraph 3 which is revised, and Paragraph 2 of Article 17 is newly established.
- (3) Items 2 and 3 of Paragraph 2 of Article 13 are moved down by one Item respectively to Items 3 and 4, and Item 2 is newly established.
- (4) Item 5 of Paragraph 2 of Article 13 and Item 3 of Paragraph 1 of Article 17 are newly established.

#### **Supplementary Provisions (April 13, 2006)**

The revision shall come into force on the date of enforcement of the Companies Act, provided, however, that if the Fund finds the fact that any petition to commence liquidation has been filed prior to the enforcement date, the provisions in force shall remain applicable regardless the provisions of Paragraph 1 of Article 5.

(Note) The revised provisions are as follows:

- (1) Items 1 and 2 of Paragraph 1 of Article 4, Items 4 and 6 of Paragraph 1 and Items 2 and 6 through 8 of Paragraph 2 of Article 5, Items 2 and 3 of Paragraph 1 and Paragraph 4 of Article 27 and Paragraph 1 of Article 27-2 are revised.
- (2) “The enforcement date of the Companies Act (Act No. 86 of 2005)” is May 1, 2006.

#### **Supplementary Provisions (September 28, 2007)**

The revision shall come into force on September 30, 2007.

(Note) The revised provisions are as follows:

- (1) Articles 1 and 2, Items 1 through 3 of Article 4, Items 3, 5 and 6 of Paragraph 1 and Items 1 through 3 and 6 through 9 of Paragraph 2 of Article 5, Paragraph 2 of Article 6, Paragraph 2 of Article 8, Paragraph 1 of Article 12, Items 1 through 4 of Paragraph 1 and Items 2 and 5 of Paragraph 2 of Article 13, Paragraphs 2 and 4 of Article 16, Item 3 of Paragraph 1 and Paragraphs 2 and 3 of Article 17, Paragraph 1 of Article 19, Paragraph 1 of Article 20, Article 23, Paragraph 1 of Article 25 and Item 2 of Paragraph 1 and Paragraph 6 of Article 27 are revised.
- (2) Item 7 or Paragraph 1 of Article 5 is moved down by one Item, and Item 7 is newly established.
- (3) Item 10 of Paragraph 2 of Article 5 is moved down by one Item, and Item 10 is newly established.
- (4) Paragraph 4 of Article 17 is newly established.

#### **Supplementary Provisions (March 10, 2009)**

This revision shall come into force on the approval date of Operational Rules.

(Note) The revised provisions are as follows:

- (1) Item 5 of Paragraph 2 of Article 13 is revised.
- (2) Item 3 of Paragraph 1 and Paragraph 2 of Article 17 are revised.
- (3) “Approval date of Operational Rules” is March 30, 2009.

#### **Supplementary Provisions (July 1, 2010)**

This revision shall come into force on July 1, 2010.

(Note) The revised provisions are as follows:

- (1) Article 27-2 is revised.
- (2) Article 27-3 is newly established.

#### **Supplementary Provisions (March 28, 2014)**

This revision shall come into force on March 28, 2014.

(Note) The revised provisions are as follows:

- (1) Table of Contents, Item 2 of Article 4 and the name of Chapter 4 are revised.
- (2) Former Chapter 5 is changed to Chapter 6, former Chapter 6 is changed to Chapter 9, former Chapter 7 is changed to Chapter 11 and former Chapter 8 is changed to Chapter 12, and Chapters 5, 7, 8 and 10 are newly established.
- (3) Item 9 of Paragraph 2 of Article 5 is deleted, and former Items 10 and 11 are moved up by one Item respectively to Items 9 and 10.
- (4) Former Article 23 is revised and moved down by one Article to Article 23-2, and Article 23 is newly established.

- (5) Articles 24-2, 24-3, 24-4 and 25-2 are newly established.
- (6) Paragraph 1 of Article 26 is revised.
- (7) Paragraph 1 of Article 27-2 is revised and Items 1 and 2 are newly established.
- (8) Title of the former Article 27-3 is revised and moved down by one Article to Article 27-4, and Article 27-3 is newly established.

#### **Supplementary Provisions (April 1, 2015)**

This revision shall come into force on April 1, 2015, provide, however, that the revision of Items 1 and 2 of Article 4 comes into force on the enforcement date of Partially Amending the Companies Act (Act No. 90 of 2014), and the revision of Item 3 of the same Article is enforced on the enforcement date of Partially Amending the Financial Instruments and Exchange Act (Act No. 44 of 2014).

(Note) The revised provisions are as follows:

- (1) Items 1 and 2 of Article 4 are revised.
- (2) Items 10 through 13 of Article 5 are newly established and former Item 10 is moved down to Item 14.
- (3) Article 6 and Article 9 are revised.
- (4) Item 2 of Paragraph 1 of Article 27 is revised.
- (5) The “enforcement date of Partially Amending the Companies Act (Act No. 90 of 2014)” is May 1, 2015.
- (6) The “enforcement date of Partially Amending the Financial Instruments and Exchange Act (Act No. 44 of 2014)” is May 29, 2015.

#### **Supplementary Provisions (March 27, 2020)**

These revisions shall come into force on April 1, 2020.

(Note) The revised provisions are as follows:

- (1) Item 5 of Paragraph 1 of Article 5, Paragraph 1 of Article 12 and Paragraph 2 of Article 16 are revised.
- (2) Items 6 through 8 of Paragraph 1 of Article 5 are moved down by one Item respectively to Items 7 through 9, and Item 6 is newly established.

#### **Supplementary Provisions (April 12, 2021)**

This revision shall come into force on April 12, 2021.

(Note) The revised provisions are as follows:

Article 7 and Article 11 are revised.

#### **Supplementary Provisions (March 31, 2022)**

These revisions shall come into force on March 31, 2022.

(Note) The revised provisions are as follows:

- (1) Item 6 of Paragraph 2 of Article 5, Paragraph 4 of Article 27, Paragraph 4 of Article 27-2, and Item 2 of Paragraph 1 of Article 27-4 are revised.
- (2) Item 2 of Paragraph 1 of Article 15 is deleted, and Items 3 and 4 are moved up by one Item respectively to Items 2 and 3.