

(Provisional translation)

Basic Guidelines on Securities Business Monitoring

March 2022

Securities and Exchange Surveillance Commission

Basic Guidelines on Securities Business Monitoring [Table of Contents]

I. Preparation for inspection	2
1. Inspectors' stance	2
(1) Maintenance of discipline, integrity, and confidentiality.....	2
(2) Due process compliance	2
(3) Identification of the actual state and root causes through efficient and effective securities business monitoring	2
(4) Self-improvement and demonstration of capabilities	2
2. Consideration of implementation of inspection	3
(1) Selection of the BO to be inspected	3
(2) Types of inspection	3
(3) Methods of inspection.....	3
3. Preparation of an Inspection Order	4
4. Inspection cut-off date	4
5. Inspection with prior notice	5
(1) Inspection with prior notice	5
(2) Timing of prior notice of inspection.....	5
6. Implementation of inspection.....	5
II. Inspection procedure, etc.	5
1. On-site inspection	5
(1) Presentation of the Inspection Order, etc. and provision of explanations.....	5
(2) Restriction on third-party disclosure of Inspection Information	6
(3) Request for materials for inspection	9
(4) Hands-on inspection	10
(5) Consideration for operations of the BO	10
(6) Inspections with a focus on interactive dialogue	10
(7) Clarification and identification of facts	11
(8) Identification of the actual state through use of data and figures	12
(9) Recording facts and background information.....	12
(10) Identification of fundamental issues regarding operations, etc.	13
(11) Other points to note in on-site inspections	13
2. After completion of on-site inspection.....	15

(1) Compiling the inspection results.....	16
(2) Comments and remarks	16
(3) Notification of completion of inspection	17
(4) Recommendation.....	18
(5) Publication of inspection results, etc.	18
(6) Feedback after inspection, etc.....	19
III. Opinion submission system and inspection monitoring.....	19
1. Opinion submission system.....	19
(1) Explanation to the BOs.....	19
(2) Overview of the opinion submission system	19
2. Inspection monitoring.....	21
(1) Explanation to the BO.....	21
(2) Overview of inspection monitoring	21
IV. Special measures on preparation of the documents and points to note	23
1. Special measures on preparation of the documents submitted in English	23
2. Points to note regarding statements in documents submitted by the BO	24
3. Points to note regarding method of submitting documents and other matters	24
V. Coordination with relevant departments and SROs, etc.....	24
1. Coordination with relevant departments, etc.....	24
(1) Local Finance Bureaus, etc.	24
(2) Supervisory departments, etc.....	24
2. Coordination with SROs, etc.	25
(1) SROs.....	25
(2) Other ministries and agencies.....	25
(3) Investigating authorities, etc.	25
(4) Overseas securities regulators, etc.	25
(5) Others	26
VI. Effective dates.....	27
VII. References.....	29
1. Chart of Inspection Process	29
2. List of Documents to be Submitted.....	29
(Attachments).....	29

These guidelines provides the basic procedure for inspection implemented by the Securities and Exchange Surveillance Commission (hereinafter, the "SESC") and Local Finance Bureaus (meaning the local finance bureaus, local finance branch bureaus, and Okinawa General Bureau; the same applies hereinafter) in the process of securities business monitoring.

Inspection, which is a means of risk-based securities business monitoring, involves not only a rule-based examination, but also a root-cause investigation and a forward-looking examination. At the same time, since the inspection could place some burden, it is also important to gain understanding and cooperation from the business operator (hereinafter, the "BO") subject to inspection.

Therefore, it is essential that both the inspectors and the BO understand the inspection procedure, to ensure that a smooth and effective inspection is implemented following due process.

Accordingly, it is necessary to confirm that the BO understands these guidelines and, when adopting a procedure not provided for in these guidelines, to give consideration, such as providing an explanation to the BO each time.

(Note 1) Securities business monitoring covers both inspection and monitoring. Inspection refers to inspections based on a law or regulation. Monitoring refers to a wide range of monitoring activities, other than inspections, carried out by the SESC, competent supervisory departments (those authorized to supervise the BO; the same applies hereinafter), inspection departments, and Local Finance Bureaus widely gather information, either in coordination or directly if necessary, which include information gathering through collection of reports from and interviews with the financial instruments business operators, etc., and exchange of opinions with relevant entities (the SESC, relevant divisions of the Financial Services Agency (hereinafter, the "FSA"), and, as necessary, self-regulatory organizations (the financial instruments firms associations, financial instruments exchanges, and self-regulatory corporations; hereinafter, the "SROs")).

(Note 2) In these guidelines, "financial instruments business operators, etc." refers to the BOs to be inspected based on laws and regulations, including the financial instruments business operators, registered financial institutions, notifiers of specially permitted services for qualified institutional investors, etc., financial instruments intermediary service providers, credit rating agencies, and SROs.

I. Preparation for inspection

1. Inspectors' stance

Inspectors are to perform tasks based on the following stance.

(1) Maintenance of discipline, integrity, and confidentiality

In order to ensure the trust and confidence of citizens, inspectors are to always maintain discipline and integrity, and never leak confidential information obtained through securities business monitoring.

(2) Due process compliance

Based on sufficient understanding of the purport of the provisions of the Financial Instruments and Exchange Act (hereinafter, the "FIEA") and other laws and regulations, and recognizing that the subject of securities business monitoring are private enterprises and individuals, inspectors must always follow due process in implementing the monitoring.

(3) Identification of the actual state and root causes through efficient and effective securities business monitoring

When communicating with a BO subject to securities business monitoring, inspectors are to always maintain a moderate and calm attitude, and listen carefully to the BO's explanation. They are also to constantly endeavor to collect and analyze information necessary for the securities business monitoring, and to verify the various information in a broad context with a forward-looking perspective. In addition, they must endeavor to accurately identify the actual state of the BO's business model (referring to the details of operations, products handled, revenue structure, etc.; the same applies hereinafter) and operations, etc. through efficient and effective securities business monitoring with creativity and ingenuity, and when having identified any problem, to investigate its root causes (for example, the BO's corporate culture, management policy, governance (referring to the control environments for governance; the same applies hereinafter), etc.).

(4) Self-improvement and demonstration of capabilities

Inspectors must always seek self-improvement, such as correctly

understanding laws, regulations, and rules related to finance and securities, studying new financial products and trading techniques, having a broad perspective on trends in financial instruments markets, etc. In addition, all inspectors must endeavor to perform to their full potential.

2. Consideration of implementation of inspection

In principle, an inspection is to be conducted by the method of visiting the head office, a branch office, or any other business office, etc. of the BO and inspecting the books, documents, and other objects in relation to the issues identified in monitoring (hereinafter, "on-site inspection").

(1) Selection of the BO to be inspected

In implementing an inspection, the BO to be inspected is selected on a risk basis, after comprehensively considering factors including the results of risk assessment conducted in the monitoring.

(2) Types of inspection

There are two types of inspection as below.

(i) General inspections

General inspections are conducted on the overall operations of the BO.

(ii) Special inspections

Special inspections are conducted on a part of the operations of the BO.

(3) Methods of inspection

General and special inspections are conducted either independently by the SESC or the Local Finance Bureau in charge of the BO, or in the following manner.

(i) Joint inspections

Joint inspections are conducted jointly by the SESC in charge of the BO and a Local Finance Bureau not in charge, or vice versa.

(ii) Branch-only inspections

Branch-only inspections are conducted only on a branch office, etc. of a BO by the SESC or a Local Finance Bureau, whichever is in charge (except for joint inspections as in (i) above).

(iii) Group-wide inspections

Group-wide inspections are conducted as necessary on a BO's group, etc., including its parent, subsidiary, and business partner/counterparty by the SESC or a Local Finance Bureau, whichever is in charge.

(iv) Simultaneous inspections

Simultaneous inspections are conducted simultaneously with an inspection led by the FSA's inspection department in order to ensure the efficiency and effectiveness of the inspection process.

(Note)

Joint inspections are to be implemented in sufficient coordination between the SESC and the Local Finance Bureau.

Branch-only inspections are to verify not only issues unique to a specific branch office, but also improvements made at the branch office regarding problems pointed out in a previous inspection at its head office, and items useful for the next inspection of the head office.

Simultaneous inspections are to be implemented in sufficient coordination with the FSA's inspection department.

3. Preparation of an Inspection Order

An Inspection Order (Form 1) is to be prepared in the name of the Chairman of the SESC when issued by the SESC, or in the name of the Director-General of the Local Finance Bureau (meaning the director-general of the relevant local finance bureau, local finance branch bureau, or the Okinawa General Bureau; the same applies hereinafter) when issued by a Local Finance Bureau.

4. Inspection cut-off date

The "inspection cut-off date" is set out as the base date of each inspection and is, in principle, the business day immediately preceding the start date of an on-site inspection (in the case of an on-site inspection with prior notice, the business day immediately preceding the date of prior notice).

(Note) This is not intended to mean that financial data, the state of the business, etc. must be verified strictly as of the cut-off date.

5. Inspection with prior notice

(1) Inspection with prior notice

On-site inspections are conducted without prior notice in principle, but with prior notice if deemed necessary after comprehensively considering factors including the business characteristics of the BO to be inspected, the focus of the inspection, the efficiency of the inspection, and possible reduction in the burden to be placed on the BO.

(2) Timing of prior notice of inspection

The chief inspector is to inform the person responsible at the BO (hereinafter, the "Person Responsible at the BO") of the start date of the on-site inspection and other relevant information, approximately one to two weeks prior to the start date (see II.1.(1)B).

6. Implementation of inspection

In an inspection, inspectors are to carry out in-depth analysis of the products and transaction schemes handled by the financial instruments business operator, etc., verify the appropriateness, etc. of its operations, and, if a problem is found, not stop at just pointing out a violation of laws or regulations associated with it, but endeavor to investigate its root causes.

II. Inspection procedure, etc.

1. On-site inspection

(1) Presentation of the Inspection Order, etc. and provision of explanations

A. At the start of an on-site inspection, the chief inspector is to present the Inspection Order and his/her identification card for inspection, and in principle, explain the following, to the Person Responsible at the BO.

(i) Authority and purpose of the inspection (including whether it is a general or special inspection; also, the areas of focus, as long as that does not adversely affect the viability of the inspection)

(ii) Request for cooperation in the inspection (also, strict action to be taken against an attempt to evade inspection, such as if documents

and emails are found to have been destroyed in response to the inspection (in the case of an inspection with prior notice, after the prior notice))

- (iii) Inspection process (this may be omitted in cases other than first-time inspections)
- (iv) Overview of restrictions on third-party disclosures of information related to the inspection (hereinafter, "Inspection Information") (see II.1.(2)(i))
- (v) Overview of the opinion submission system (see III.1. Opinion submission system)
- (vi) Overview of the inspection monitoring system (see III.2. Inspection monitoring)
- (vii) Documents required to be submitted (see VII.2. List of Documents to be Submitted)
- (viii) Other matters requiring explanation

Of note, each inspector needs to carry his/her identification card for inspection at all times, to be able to present it to the BO.

B. In the case of an inspection with prior notice, at the time of the prior notice, the chief inspector is to i. explain (i) and (ii) above, ii. inform the start date of the on-site inspection, iii. request the safekeeping of documents from this point forward, then swiftly provide a list of documents required to be submitted. The remaining items are to be presented or explained by the start date of the on-site inspection.

(2) Restriction on third-party disclosure of Inspection Information

(i) Explanation at the start of on-site inspection

At the start of the on-site inspection (in the case of an inspection with prior notice, promptly after the prior notice), the chief inspector is to give the Person Responsible at the BO an overview of restrictions on third-party disclosure of Inspection Information (the fact of an inspection, the inspectors' questions, indications, requests and other interactions with officers/employees of the BO during the inspection, and the Notification of Completion of Inspection; the same applies hereinafter). When doing so, the chief inspector is to explain the following points.

- Inspection Information contains highly confidential information on

customers and business partners of the BO, and also information on specific inspection approaches.

- In order to ensure appropriate management of information and to prevent interruption of smooth implementation of the inspection, the BO must not disclose Inspection Information to third parties without the prior consent of the Director of the Securities Business Monitoring Division at the Executive Bureau of the SESC (hereinafter, the "Director of the Securities Business Monitoring Division"; or the Director of the Securities and Exchange Surveillance Department in the case of a Local Finance Bureau) or the chief inspector.
- Having understood the above, the BO is to fill in the name on the letter of consent to nondisclosure of Inspection Information without the prior consent of the Director of the Securities Business Monitoring Division (or the Director of the Securities and Exchange Surveillance Department in the case of a Local Finance Bureau) or the chief inspector (hereinafter, the "Letter of Consent to Nondisclosure of Inspection Information to Third Parties" (Form 2)).

(ii) Submission of a Letter of Consent to Nondisclosure of Inspection Information to Third Parties

Given its sensitive nature, Inspection Information is to be handled in the following manner.

- A. At the start of the on-site inspection (in the case of an inspection with prior notice, promptly after the prior notice), the chief inspector is to have the Person Responsible at the BO fill in the name on the Letter of Consent to Nondisclosure of Inspection Information to Third Parties, which states that third-party disclosure of Inspection Information is prohibited without the prior consent of the chief inspector if such consent is requested prior to issuance of the Notification of Completion of Inspection (or the prior consent of the Director of the Securities Business Monitoring Division (or the Director of the Securities and Exchange Surveillance Department in the case of a Local Finance Bureau) if such consent is requested after issuance of the Notification of Completion of Inspection).
- B. It should be noted that the relevant inspection and supervisory departments, SROs and those recognized as equivalent, and external experts such as attorneys, certified public accountants, and real estate appraisers as members of committees placed within the

BO's organization for the purpose of internal control, are not treated as the third parties to whom the restriction applies.

(iii) Submission of a Request for Consent to Third-Party Disclosure of Inspection Information

A. If a BO requests consent for third-party disclosure of Inspection Information, the chief inspector (the Director of the Securities Business Monitoring Division (or the Director of the Securities and Exchange Surveillance Department in the case of a Local Finance Bureau), if requested after issuance of the Notification of Completion of Inspection) is to require the BO to submit a written request (hereinafter, a "Request for Consent to Third-Party Disclosure" (Form 3)).

Cases in which a Request for Consent to Third-Party Disclosure is likely to be submitted by the BO include the following.

- Disclosure to the parent company, etc. such as the management company of the BO
- Disclosure to attorneys, external auditors, contractors, etc. that is expected to contribute to appropriate management of the operations of the BO or its management company
- Disclosure to the counterparty in a corporate merger, etc. for due diligence
- Disclosure to the trustee/supervisor in bankruptcy/civil rehabilitation proceedings

However, a Request for Consent to Third-Party Disclosure is not required in the following cases.

- The BO, who obtained consent to disclosing information to its management company in a past inspection, intends to make such a disclosure (only if the management company has not changed)
- The BO intends to make disclosure to a third party (e.g., a contractor) to obtain confirmation on matters related to the inspection, in response to a request by the chief inspector during the on-site inspection, to the extent necessary for the confirmation
- The BO intends to make disclosure to external experts with which it has a contractual relationship, such as attorneys, certified public accountants, or real estate appraisers, for the purpose of consultation during the on-site inspection, where the chief inspector

is informed about the disclosure in advance and determines that it will not affect the viability and confidentiality of the inspection

B. If the BO makes a Request for Consent to Third-Party Disclosure, the chief inspector (the Director of the Securities Business Monitoring Division (or the Director of the Securities and Exchange Surveillance Department in the case of a Local Finance Bureau) if requested after issuance of the Notification of Completion of Inspection) is to determine whether to give consent and answer in writing, after comprehensively considering factors including i. the necessity of disclosure, ii. the status of confidentiality obligations imposed on the party to whom the information is to be disclosed (conclusion of a confidentiality agreement, etc.), and iii. any potential impact on the viability of the inspection.

(3) Request for materials for inspection

(i) Efficient use of existing materials

Inspectors are to endeavor to reduce the BO's burden by using its existing materials in principle. When requesting other materials, inspectors should fully consider whether such materials are necessary.

(ii) Expediting the process of requesting materials

In principle, when requesting materials, inspectors are to endeavor to make such requests in a centralized manner via the BO's internal control department, giving clear explanations of their background.

Inspectors are to request materials promptly and precisely, in writing if necessary, taking into account factors such as the priority in the on-site inspection and the burden on the BO.

The chief inspector is to endeavor to ensure that there are no overlapping requests, by keeping track of the status of each inspector's requests made to the BO.

(iii) Borrowing materials

When necessary to identify the actual state accurately and efficiently, inspectors are to borrow original copies of materials from the BO.

The chief inspector is to issue a confirmation document to the BO when borrowing materials in principle, manage the borrowed materials appropriately, and endeavor to return them promptly.

(iv) Returning borrowed materials

During the on-site inspection period, if the BO asks for the borrowed materials as necessary for its operations, inspectors are to allow those materials to be returned or carried out from the inspection site, to the extent that it does not interfere with the ongoing inspection.

(4) Hands-on inspection

(i) When considered necessary by the chief inspector for effectively identifying the actual state of the BO and verifying the appropriateness of its business, inspectors are to conduct a hands-on inspection, in which they select and browse its original materials as needed, with a direct visit to the offices, data storage sites, and other locations where its officers and employees are working.

(ii) Inspectors are to conduct a hands-on inspection with the utmost care, keeping in mind the following points.

A. Inspectors are to have one or more persons from the BO (including the Person Responsible at the BO) present, conduct the hands-on inspection properly and swiftly, and take care to avoid accidents such as loss of documents.

B. Even if an officer or employee declares a property as his/her personal item, inspectors are to conduct a hands-on inspection on that property if deemed necessary and appropriate, but they are to endeavor to conduct it with the consent of that person.

(5) Consideration for operations of the BO

To avoid interference with operations of the BO, the chief inspector is to consider the following points.

(i) For an on-site inspection on a small-scale BO, the chief inspector is to give consideration to avoid interference with its smooth operations, taking into account its ability to cope with the inspection.

(ii) In principle, an on-site inspection is to be conducted during the business hours of the BO. For an on-site inspection outside of the business hours due to unavoidable circumstances, the chief inspector is to obtain the consent of the BO but take care not to conduct it on a regular basis without reasonable justification.

(6) Inspections with a focus on interactive dialogue

In order to implement efficient and effective on-site inspections, the chief

inspector is to endeavor to focus on interactive dialogue with the BO, while comprehensively considering the purpose and status of the on-site inspection, for example, through exchange of opinions with the management as below.

(i) The chief inspector is to endeavor to exchange opinions with the management on the start date of the inspection (if unable to do so on the start date, as soon as possible thereafter) to ascertain the management's awareness of internal control and risk management.

(ii) During the on-site inspection period, the chief inspector is to endeavor to hold in-depth discussions with the BO, with a focus on interactive dialogue, on its business model, governance, internal control environments, etc. as well as individual issues.

If it becomes clear that the chief inspector and the BO have a different understanding of the facts, the chief inspector is to endeavor to reach a shared understanding of the issues and differences by holding in-depth discussions through interactive dialogue.

When an on-site inspection covers several offices, as necessary, the chief inspector is to visit each office, understand the actual operations through interviews with the person responsible there, and thereby endeavor to understand the BO's operations as a whole.

(iii) The chief inspector is to exchange opinions with the management at the end of the on-site inspection and confirm their awareness of the facts discussed during the inspection.

(iv) In addition, as necessary, the chief inspector is to exchange opinions with the management such as on the progress of the on-site inspection, the BO's response to the on-site inspection, and inspection approaches used by the inspectors. In the case of a first-time on-site inspection, the chief inspector is to endeavor to identify the business profile and characteristics of the BO through exchange of opinions.

(7) Clarification and identification of facts

During the on-site inspection period, inspectors are to endeavor to clarify or identify facts, keeping in mind that they should not, according to their personal opinions, make definitive statements on the rights or wrongs of, nor order corrective action on, the clarified or identified facts. However, this does not preclude them from listening to the BO's explanation of any voluntary actions for improvement, as part of the fact-finding process.

(8) Identification of the actual state through use of data and figures

On-site inspections should not rely solely on the BO's verbal explanations. Inspectors are to endeavor to accurately identify the actual state of the BO's business management, operations, and legal/regulatory compliance related thereto based on objective materials, such as data and figures.

(9) Recording facts and background information

Inspectors are to accurately identify issues through interviews, as well as the investigation and analysis of account books and other vouchers, report to the chief inspector, then request officers and employees of the BO to confirm the facts in writing or other forms.

When requesting officers or employees of the BO to submit documents for confirmation of the facts, the chief inspector is to use the methods below, after fully considering whether such documents are necessary.

(i) Summary Sheet (Form 4)

Prepare a Summary Sheet, as necessary, to confirm the facts which the inspectors are likely to point out as problems and the BO's awareness of these facts.

(ii) Questionnaire (Form 5)

Prepare a Questionnaire, as necessary, to obtain answers concerning the facts from the person in charge at the BO.

(iii) Monitoring Confirmation Sheet (Form 6)

Prepare a Monitoring Confirmation Sheet, as necessary, for items regarding which the chief inspector has been able to share an awareness with the BO (hereinafter, "Items to be noted"), in order to identify and share an awareness of items that are considered to be challenges concerning governance or the internal control environments from a forward-looking perspective, taking into account changes in the business model and other factors, although no specific problems have occurred as of the inspection cut-off date.

The chief inspector informs the BO that, as the items confirmed in a Monitoring Confirmation Sheet are limited to issues regarding which a shared understanding has been reached through in-depth discussions, they are not subject to the opinion submission system and are premised to be stated in the Notification of Completion of Inspection.

(10) Identification of fundamental issues regarding operations, etc.

Through detailed analysis of facts and backgrounds related to operational problems and challenges identified in on-site inspections, inspectors are to not only verify whether they constitute legal/regulatory violations, but also consider their links with control issues, including internal control and risk management, and investigate their root causes. In addition, inspectors are to endeavor to identify fundamental issues in business management by verifying their links also with the business model, conditions of operations, management policy, etc., and to prepare a Summary Sheet or Monitoring Confirmation Sheet as necessary.

(11) Other points to note in on-site inspections

(i) Presence of other officers and employees during interviews

When conducting interviews with specific officers and employees of the BO, inspectors are to allow other officers and employees as well to be present if requested, as long as it does not interfere with the ongoing on-site inspection.

When inspectors decide not to allow it, they are to explain reasonable grounds for the decision to the BO.

(ii) Requests from the BO

If inspectors receive a request concerning the on-site inspection from the BO, they are to report this to the chief inspector. If the chief inspector considers that the request needs careful handling, the chief inspector, after discussing possible measures to be taken with the Instructor for Inspection at the Securities Business Monitoring Division, Executive Bureau of the SESC (hereinafter, the "Instructor for Inspection"), is to report this to the Director of the Securities Business Monitoring Division (or to discuss with or report this to the Director of the Securities and Exchange Surveillance Department, as provided for by the Local Finance Bureau, in the case of a Local Finance Bureau) and receive necessary instructions.

(iii) Third-party contacts

If the chief inspector determines that it is necessary to contact the clients to confirm the way that the BO does business (third-party contacts), the chief inspector is to discuss with the Instructor for Inspection, report to the Director of the Securities Business Monitoring

Division (or discuss with or report this to the Director of the Securities and Exchange Surveillance Department, as provided for by the Local Finance Bureau, in the case of a Local Finance Bureau), and conduct such third-party contacts based on the instructions received.

(iv) Actions to take when inspection of a contractor, etc. is required

If the chief inspector determines that it is necessary to inspect a contractor, major shareholder, or holding company, etc. of a financial instruments business operator, the chief inspector is to discuss with the Instructor for Inspection, report to the Director of the Securities Business Monitoring Division (or discuss with or report to the Director of the Securities and Exchange Surveillance Department, as provided for by the Local Finance Bureau, in the case of a Local Finance Bureau). When deemed necessary by the Director of the Securities Business Monitoring Division (or the Director of the Securities and Exchange Surveillance Department in the case of a Local Finance Bureau), such inspection is to be implemented after following the necessary process.

(v) Actions to take when problems occur

When it becomes difficult to implement an on-site inspection due to refusals, interruptions, or avoidance or other materially adverse events (hereinafter, "Refusal of Inspection"), while endeavoring to persuade the BO to accept the inspection, the chief inspector is to record the facts around the Refusal of Inspection in detail, including the background, reason, and the BO's speech and behavior, and to immediately inform the Instructor for Inspection. The Instructor for Inspection is to promptly discuss actions to take with the chief inspector, report to and receive instructions from the Director of the Securities Business Monitoring Division, and inform the chief inspector of the instructions received (or to discuss with or report to, and receive instructions from, the Director of the Securities and Exchange Surveillance Department, as provided for by the Local Finance Bureau, in the case of a Local Finance Bureau).

In doing so, the chief inspector is to confirm the facts with the Person Responsible at the BO, and take appropriate actions, such as requesting a statement of reasons for the Refusal of Inspection.

(vi) Actions to take in the event of a disaster

A. In the event of a disaster, and if the BO is affected, the chief inspector is to immediately report this to and receive instructions from the Director of the Securities Business Monitoring Division (or the

Director of the Securities and Exchange Surveillance Department in the case of a Local Finance Bureau). The Director of the Securities Business Monitoring Division (or the Director of the Securities and Exchange Surveillance Department in the case of a Local Finance Bureau), after having discussions as much as possible with the BO via the chief inspector, is to consider suspending or canceling the ongoing inspection to give priority to the disaster recovery at the BO.

Even if the BO is not affected by the disaster, the Director of the Securities Business Monitoring Division (or the Director of the Securities and Exchange Surveillance Department in the case of a Local Finance Bureau), after having discussions as much as possible with the BO via the chief inspector as necessary, is to consider whether to continue the ongoing inspection.

When a decision is made to continue, suspend, or cancel the ongoing inspection as a result of the consideration above, the chief inspector is to communicate the decision verbally to the Person Responsible at the BO.

- B. Besides the case of a disaster, in any of the following cases, the chief inspector is to consult the Instructor for Inspection, who is then to report to and receive instructions from the Director of the Securities Business Monitoring Division (or to consult or report to, and receive instructions from, the Director of the Securities and Exchange Surveillance Department, as provided for by the Local Finance Bureau, in the case of a Local Finance Bureau). The consideration of suspension or cancellation of the ongoing inspection and the results of the consideration are to be treated in the same manner as above.
- a. Consideration of suspension
 - Case where the work at the BO takes a long time
 - Case where there is disagreement with the BO about serious issues
 - b. Consideration of suspension or cancellation
 - Case where continuation of the inspection is considered to be difficult due to special circumstances, such as termination of the company or serious system failures.

2. After completion of on-site inspection

(1) Compiling the inspection results

When compiling the results upon completion of the on-site inspection, the chief inspector is to accurately identify the facts, characteristics and root causes of each case, to capture the issues.

As necessary, the chief inspector is to compile those issues in close cooperation with the person responsible for evaluation at the Securities Business Monitoring Division, Executive Bureau of the SESC (or via the person responsible for evaluation in the case of a Local Finance Bureau).

(2) Comments and remarks

(i) Upon completion of the on-site inspection, after sorting out the issues to point out and Items to be noted (or as soon as possible, if there are no issues to point out), the chief inspector is to present his/her comments and remarks regarding the inspection to the Person Responsible at the BO by the following method.

Note that, if the Director of the Securities Business Monitoring Division (or the Director of the Securities and Exchange Surveillance Department in the case of a Local Finance Bureau) determines that there is urgency for protecting the public interest or investors, comments and remarks may be omitted.

(Note) To "point out" means a factual act of notifying the BO of the matters that have been determined in the inspection to be problems with them, as inspection results.

A. The chief inspector is to inform the BO of violations of laws/regulations identified during the inspection and Items to be noted. If there are no problems identified, the chief inspector is to inform the BO of this fact.

B. Regarding the violations of laws/regulations referred to in A above, the chief inspector is to confirm any matters of disagreement with the BO (hereinafter, "Disputed Matters").

(ii) The chief inspector is to explain that, if there is any change in the content of the comments or remarks, they will be presented again as necessary.

(iii) Attendance at the meeting for comments and remarks

A. SESC or the Local Finance Bureau

As a general rule, the chief inspector and one or more inspectors who participated in the inspection are to attend the meeting.

B. BO

The Person Responsible at the BO must attend the meeting. If he/she requests the attendance of other officers and employees, the request is to be accepted as long as it does not particularly interfere with the meeting.

(iv) Method of communicating comments and remarks

The chief inspector's comments and remarks are communicated verbally in principle (or by another means, if considered appropriate by the Director of the Securities Business Monitoring Division (or the Director of the Securities and Exchange Surveillance Department in the case of a Local Finance Bureau) from the viewpoint of efficiency) to the Person Responsible at the BO. Considering that the comments and remarks (excluding Items to be noted) will form the basis of opinions that may be submitted by the BO, the chief inspector is to ensure that his/her comments and remarks are fully conveyed.

In addition, as necessary, the chief inspector is to endeavor to help promoting voluntary actions for improvement, by for example sharing the inspection results also with the BO's personnel involved in audits when presenting the comments and remarks.

(3) Notification of completion of inspection

The Notification of Completion of Inspection (Form 7) is to be issued promptly after approval by the SESC (or after an explanation, etc. to the relevant Director-General of the Local Finance Bureau, etc. in the case of a Local Finance Bureau) in the name of the Chairman of the SESC (or the relevant Director-General of the Local Finance Bureau, etc. in the case of a Local Finance Bureau), to the Person Responsible at the BO.

When the Notification of Completion of Inspection is issued, the Person Responsible at the BO is to be advised that it must not be disclosed to any third parties without the prior consent of the Director of the Securities Business Monitoring Division (or the Director of the Securities and Exchange Surveillance Department in the case of a Local Finance Bureau).

In special circumstances such as cancellation of an inspection, a Notification of Completion of Inspection is not to be issued, and the chief inspector is to inform the Person Responsible at the BO to that effect verbally or by another appropriate method.

As a benchmark, efforts are to be made to issue the Notification of Completion of Inspection within three months of the end of an on-site inspection.

(4) Recommendation

When considered necessary as a result of an inspection, a draft recommendation document is to be prepared and submitted to the SESC for deliberation.

If the SESC approves the proposed recommendation document, the Executive Bureau of the SESC is to issue the finalized recommendation document to the relevant supervisory department.

(5) Publication of inspection results, etc.

To ensure transparency and fairness in its operations, and to contribute to protecting investors, the SESC is to publicly announce the status of progressing of affairs related to the inspections that it and the Local Finance Bureaus conducted, on its website, etc. as follows, after due consideration of the duty of confidentiality of national public employees.

(i) Information on a case that resulted in recommendations is to be published promptly after completion of the inspection. In this case, the name or trade name of the inspected BO is to be disclosed, in principle.

(ii) Information on a case that did not result in any recommendations is to be published if considered necessary. In this case, the name or trade name of the inspected BO is not to be disclosed, in principle.

(iii) With regard to a violation of laws/regulations committed before the 2015 amendment of the FIEA by notifiers of specially permitted services for qualified institutional investors, etc., for the time being, if the SESC considers it appropriate to widely disseminate information on the case in order to protect investors given the seriousness and maliciousness, it is to disclose the name or trade name of the inspected BO in the same manner as under (i) above.

(iv) The SESC is to publicly announce the status of progressing of affairs related to its inspections on an annual basis.

With regard to cases that are considered inappropriate for publication in consideration of the impact that the publication may have on the public interest and investors, the SESC is to take measures such as refraining from publishing information on those cases.

(6) Feedback after inspection, etc.

The SESC and Local Finance Bureaus are to endeavor to make the PDCA cycle of the securities business monitoring function effectively, through appropriately reflecting the inspection results in future monitoring, etc., and providing feedback on the monitoring results by, for example, enhancing the contents of the annually published Overview of Securities Business Monitoring and Case Studies on financial instruments business operators, etc., so that the details and issues of the matters verified in the monitoring are conveyed accurately.

III. Opinion submission system and inspection monitoring

1. Opinion submission system

In order to maintain and improve the standard of inspections by the SESC and Local Finance Bureaus and to ensure the transparency and fairness of the inspection procedure, the opinion submission system is to operate as follows.

(1) Explanation to the BOs

Both at the start of the on-site inspection and at the post-inspection comments and remarks stage, as a general rule, the chief inspector is to provide the Person Responsible at the BO with an overview of the opinion submission system as described below. (See II.1.(1)A(v))

(2) Overview of the opinion submission system

(i) Submission of Opinion Submission Form

A. The submitter (the representative of the BO) is to state relevant facts and his/her opinions as to the Disputed Matters confirmed, on the Opinion Submission Form (Form 8), attach necessary explanatory documents thereto, and submit them to the SESC directly or via the chief inspector, as documents in the name of the submitter addressed to the Secretary-General of the Executive Bureau of the SESC.

To clarify the circumstances that led to the different views, the submitter is to also submit a document outlining the related discussions with the inspectors concerning the Disputed Matters.

B. In principle, the opinion submission system only covers Disputed Matters concerning facts around violations of laws/regulations identified during an inspection.

(Note) The opinion submission system does not cover matters other than the above (such as interpretation of laws and regulations, new points of issue, or new arguments).

C. The submission period for the Opinion Submission Form is three days counting from the day immediately following the day the remarks and comments are presented to the Person Responsible at the BO (excluding holidays of administrative organs). However, if requested by the BO within the abovementioned period, the opinion submission period may be extended by up to two days (excluding holidays of administrative organs). If the Opinion Submission Form is submitted via postal mail, it will be accepted as long as it is postmarked within the submission period (or within the new submission period if extended).

D. When the explanatory documents to be attached to the Opinion Submission Form cannot be submitted within the submission period, it is sufficient to submit only the Opinion Submission Form within that period, and the explanatory documents at a later date. In that case, the submitter is to submit the explanatory documents promptly.

E. When withdrawing an Opinion Submission Form which has been submitted, the submitter may request it to be returned by submitting a Request for Withdrawal of Submitted Opinions (Form 9).

F. If a submitted Opinion Submission Form falls under either of the following cases, the Secretary-General of the Executive Bureau of the SESC is to promptly send a Notification of Decision for Non-acceptance of Submitted Opinions (Form 10), stating the date of receipt of the Opinion Submission Form and the reason for non-acceptance, to the submitter, and may return the Opinion Submission Form and explanatory documents at the request of the submitter:

- If the description in (Note) in B above applies to the Disputed Matters
- If the Opinion Submission Form was submitted after the period specified in C above

(ii) Review process.

A. Submitted opinions are to be reviewed by the SESC based on a draft

review document prepared by a division within the Executive Bureau of the SESC (other than the Securities Business Monitoring Division).

B. Review results are to be reflected in the preliminary draft of the Notification of Completion of Inspection.

(iii) Delivering the review results

Final review results are to be delivered to the submitter (BO) as an annex to the final version of the Notification of Completion of Inspection.

2. Inspection monitoring

Inspection monitoring is intended to monitor the actual practice of on-site inspections by the SESC and Local Finance Bureaus, to help ensure that they are conducted in an appropriate, highly efficient and effective manner. Inspection monitoring is to take place as follows, while comprehensively considering the purpose and duration of each individual inspection.

(1) Explanation to the BO

As a general rule, the chief inspector provides an overview of the inspection monitoring system to the Person Responsible at the BO on the start date of the on-site inspection. (See II.1.(1)A(vi))

(2) Overview of inspection monitoring

Inspection monitoring is to take the form of monitoring opinions (questionnaire), combined with interviews where considered necessary.

It should be noted that the opinions are limited to the inspection approach taken by the inspectors.

(i) Monitoring opinions (Questionnaire)

A. Method of submitting opinions

The BO fills in the Questionnaire (Form 11) available on the SESC website and returns it via the method of using an electronic data processing system or postal mail.

B. Addressee

For inspections by the SESC, the Questionnaire must be addressed to the Director of the Securities Business Monitoring Division. For inspections by a Local Finance Bureau, the Questionnaire should normally be submitted to the Director of the Securities and Exchange Surveillance Department, but may be submitted to the Director of the Securities Business Monitoring

Division.

C. Submission period

As a benchmark, the questionnaire submission period is set from the end date of the on-site inspection to 10 days after the issuance of the Notification of Completion of Inspection (excluding holidays of administrative organs).

(ii) Interviews

A. Interviewer

In the case of the Executive Bureau of the SESC, interviews are to be conducted by the Secretary-General, the Deputy Secretary-General (responsible for the Securities Business Monitoring Division), the Director of the Planning and Management Division, or the Director of the Securities Business Monitoring Division.

In the case of a Local Finance Bureau, interviews are to be conducted by the Director of the Securities and Exchange Surveillance Department or persons appointed by the Director of the Securities and Exchange Surveillance Department (persons designated as interviewers for the SESC as above, where necessary), in principle.

B. Interview method

When deemed necessary to ensure the appropriateness of the inspection, designated interviewers visit the BO, during the period from the start of the on-site inspection to before issuance of the Notification of Completion of Inspection, and listen to the opinion of the Person Responsible at the BO on the inspection approach taken by the inspectors.

(Note) To monitor the viability of the ongoing inspection, designated interviewers are to hold meetings with the inspection team prior to the interview (and after the interview where necessary).

(iii) Use of opinions

The SESC is to use the opinions of the BOs for monitoring the actual practice of inspections, to ensure that they are conducted in an appropriate, highly efficient and effective manner. Interviewers are to take measures, such as giving instructions to the chief inspector, when necessary.

IV. Special measures on preparation of the documents and points to note

1. Special measures on preparation of the documents submitted in English

A person/entity that falls under (1) or (2) below may prepare (state) and submit the documents listed in (3) (for the documents set forth in (iii) through (v), the designated parts of the documents) in English. In this case, the documents set forth in (i) through (viii) are to be prepared (stated) in English in the same manner as the Forms for the documents:

- (1) A person/entity that has obtained the registration referred to in Article 29 of the FIEA, the authorization referred to in Article 30(1) of the FIEA, and/or the registration of change referred to in Article 31(4) of the FIEA (limited to the scope of business operations stipulated under the provision of Article 3 of the Public Notice specified below) by receiving the application of Articles 1 and 2 of the Public Notice Specifying the Documents to Be Specified by the Commissioner of the Financial Services Agency Based on Article 2(1) of the Cabinet Office Order on Financial Instruments Business (Public Notice of the Financial Services Agency No. 13 of 2022)
- (2) Notifiers of specially permitted investment management business for Offshore Professional Investors, etc.
- (3) Documents that may be prepared and submitted in English
 - (i) Letter of Consent to Nondisclosure of Inspection Information to Third Parties Form 2
 - (ii) Request for Consent to Third-Party Disclosure of Inspection Information Forms 3-1 and 3-2
 - (iii) "Awareness of facts" in Summary Sheet Form 4
 - (iv) "Response" in Questionnaire Form 5
 - (v) "Awareness of monitoring and assessment" in Monitoring Confirmation Sheet Form 6
 - (vi) Opinion Submission Form Form 8
 - (vii) Request for Withdrawal of Submitted Opinions Form 9
 - (viii) Inspection Monitoring [Questionnaire] Form 11
 - (ix) Documents to be submitted that may be requested at the start of an on-site inspection (see VII.2. List of Submission Documents)

If the Director of the Securities Business Monitoring Division (or the Director of the Securities and Exchange Surveillance Department in the case of a Local Finance Bureau) determines it to be necessary and appropriate for protecting the public interest or investors, the Director may request the person/entity that falls under (1) or (2) above to attach a

translation of an overview of all or part of the abovementioned documents or parts of documents.

2. Points to note regarding statements in documents submitted by the BO

With regard to the statement of the surname and given name of an officer, etc. in a Form, if a person has submitted a written application, etc. stating the old surname (meaning the old surname prescribed in Article 30-13 of the Order for Enforcement of the Residential Basic Book Act (Cabinet Order No. 292 of 1967); the same applies hereinafter) and given name together with the name of the applicant in filing an application for registration, etc. in accordance with a procedure under a law or regulation, it should be noted that such person may state the old surname and given name in parentheses together with the person's name or state the old surname and given name in lieu of the person's name.

3. Points to note regarding method of submitting documents and other matters

An electronic data processing system or other information communication technology may be used when the BO submits documents to the SESC or a Local Finance Bureau or when the SESC or a Local Finance Bureau delivers documents to the BO.

V. Coordination with relevant departments and SROs, etc.

1. Coordination with relevant departments, etc.

(1) Local Finance Bureaus, etc.

The SESC is to work together with the Local Finance Bureaus in conducting securities business monitoring, providing support by sharing monitoring techniques and information, and assisting in selecting BOs to be inspected and processing inspection results.

In addition, the SESC is to endeavor to conduct inspections efficiently and effectively through the active use of joint inspections and exchanges of inspectors with the Local Finance Bureaus.

(2) Supervisory departments, etc.

The SESC is to endeavor to coordinate with the supervisory

departments of the FSA and Local Finance Bureaus, including sharing information through timely exchange of information from securities business monitoring, and developing a shared understanding of the issues identified. Further, the SESC is to endeavor to make such coordination seamless, including implementing inspections and monitoring in an integrated manner.

The SESC is to develop a shared understanding of the issues with the FSA's inspection departments, coordinate with them in monitoring BOs that belong to financial groups, and coordinate further in determining inspection topics, timing, and methods, etc.

2. Coordination with SROs, etc.

(1) SROs

The SESC is to further strengthen coordination between its securities business monitoring and the SROs' audits/examinations on their members, and thereby endeavor to improve the overall surveillance function for financial instruments business operators, etc.

From this perspective, the SESC is to promote coordination with the SROs in terms of exchange of information and inspector training, and at the same time, to help reinforcing the SROs' self-regulatory function by understanding their operations and, as necessary, inspecting them.

(2) Other ministries and agencies

When conducting securities business monitoring, the SESC is to endeavor to strengthen coordination with inspection departments of other relevant ministries and agencies, including through exchange of information.

(3) Investigating authorities, etc.

The SESC is to strengthen coordination with investigating authorities, etc. in order to deal with fraudulent operations by highly malicious BOs and the sale of funds by unregistered BOs.

(4) Overseas securities regulators, etc.

To deal with expanding overseas/cross-border activities, the SESC is to strengthen coordination with overseas securities regulators, etc., including

through exchange of information utilizing the Multilateral Memorandum of Understanding (MMoU) among the member regulators of the International Organization of Securities Commissions (IOSCO), and mutual support when conducting inspections.

(5) Others

As the Bank of Japan conducts on-site examinations on its counterparty financial institutions, etc. (including financial instruments business operators), the SESC is to endeavor to strengthen coordination with its inspection department, etc., including through exchange of information.

VI. Effective dates

These guidelines come into effect starting from inspections with a cut-off date of July 14, 2005.

(Amendment)

These amended guidelines are effective from July 3, 2006.

(Amendment)

These amended guidelines are effective from September 30, 2007.

(Amendment)

These amended guidelines are effective from August 11, 2008.

(Amendment)

These amended guidelines are effective from June 29, 2009.

(Amendment)

These amended guidelines are effective from July 29, 2010.

(Amendment)

These amended guidelines are effective from November 10, 2010.

(Amendment)

These amended guidelines are effective from July 4, 2011.

(Amendment)

These amended guidelines are effective from July 23, 2012.

(Amendment)

These amended guidelines are effective from August 8, 2013.

(Amendment)

These amended guidelines are effective from April 3, 2015.

(Amendment)

These amended guidelines are effective from April 3, 2015.

(Amendment)

These amended guidelines are effective from May 7, 2019.

(Amendment)

These amended guidelines are effective from September 17, 2020.

(Amendment)

These amended guidelines are effective from December 23, 2020.

(Amendment)

These amended guidelines are effective from January 12, 2021.

(Amendment)

These amended guidelines are effective from June 30, 2021.

(Amendment)

These amended guidelines are effective from November 22, 2021.

(Amendment)

These amended guidelines are effective from March 31, 2022.

VII. References

1. Chart of Inspection Process
2. List of Documents to be Submitted

(Attachments)

- Form 1 Inspection Order
- Form 2 Letter of Consent to Nondisclosure of Inspection Information to Third Parties
- Form 3-1 Request for Consent to Third-Party Disclosure of Inspection Information (management companies)
- Form 3-2 Request for Consent to Third-Party Disclosure of Inspection Information (other than management companies)
- Form 4 Summary Sheet
- Form 5 Questionnaire
- Form 6 Monitoring Confirmation Sheet
- Form 7 Notification of Completion of Inspection
- Form 8 Opinion Submission Form
- Form 9 Request for Withdrawal of Submitted Opinions
- Form 10 Notification of Decision for Non-acceptance of Submitted Opinions
- Form 11 Inspection Monitoring Sheet

*The above may be updated without prior notice.

- BOs subject to inspections
 - (1) Financial instruments business operators, etc. (Article 56-2(1) and Article 194-7(2)(i) and (3) of the FIEA; including Article 63-6 as applied mutatis mutandis pursuant to Article 63-3(2) and Article 194-7(2)(ii)-2 and (3) of the FIEA in the case of having made notification for business specially permitted for qualified institutional investors as well as Article 63-14 as applied mutatis mutandis pursuant to Article 63-11(2) and Article 194-7(2)(ii)-3 and (3) of the FIEA in the case of having made notification for business specially permitted investment management business for Offshore Professional Investors, etc.)
 - (2) Major shareholders of financial instruments business operators, etc. (Article 56-2(2) through (4) and Article 194-7 (2)(i) and (3) of the FIEA)
 - (3) Subsidiaries of special financial instruments business operators, etc.

- (Article 57-10(1) and Article 194-7(3) of the FIEA)
- (4) Designated parent companies (Article 57-23 and Article 194-7(3) of the FIEA)
 - (5) Major shareholders of designated parent companies (Article 57-26(2) and Article 194-7(3) of the FIEA)
 - (6) Authorized transaction-at-exchange operators (Article 60-11 and Article 194-7(2)(ii) and (3) of the FIEA)
 - (7) Authorized electronic over-the-counter derivatives transactions, etc. business operators (Article 60-11 as applied mutatis mutandis pursuant to Article 60-14(2) and Article 194-7(2)(ii) and (3) of the FIEA)
 - (8) Notifiers of specially permitted services for qualified institutional investors, etc. (Article 63-6 and Article 194-7(2)(ii)-2 and (3) of the FIEA)
 - (9) Notifiers of specially permitted investment management business for Offshore Professional Investors, etc. (Article 63-14 and Article 194-7(2)(ii)-3 and (3) of the FIEA, including foreign investment management business operators operating specially permitted investment management business during Transition Period deemed to be notifiers of specially permitted investment management business for Offshore Professional Investors, etc.)
 - (10) Financial instruments intermediary service providers (Article 66-22 and Article 194-7(2)(iii) and (3) of the FIEA)
 - (11) Credit rating agencies (Article 66-45(1) and Article 194-7(2)(iii)-2 and (3) of the FIEA)
 - (12) High-speed traders (Article 66-67 and Article 194-7(2)(iii)-3 and (3) of the FIEA)
 - (13) Authorized financial instrument firms associations (Article 75 and Article 194-7(2)(iv) and (3) of the FIEA)
 - (14) Authorized financial instrument firms associations (Article 79-4 and Article 194-7(2)(v) and (3) of the FIEA)
 - (15) Investor protection funds (Article 79-77 and Article 194-7(3) of the FIEA)
 - (16) Submitters of notifications of holding subject voting rights of stock company-type financial instruments exchanges (Article 103-4 and Article 194-7(3) of the FIEA)
 - (17) Major shareholders, etc. of stock company-type financial instruments exchanges (Article 106-6(1) (including cases where applied mutatis

- mutandis pursuant to Article 106-6(2)) and Article 194-7(3) of the FIEA)
- (18) Submitters of notifications of holding subject voting rights of financial instruments exchange holding companies (Article 106-16 and Article 194-7(3) of the FEIA)
 - (19) Major shareholders, etc. of financial instruments exchange holding companies (Article 106-20(1) (including cases where applied mutatis mutandis pursuant to Article 106-20(2)) and Article 194-7(3) of the FIEA)
 - (20) Financial instruments exchange holding companies, etc. (Article 106-27 (including cases where applied mutatis mutandis pursuant to Article 109) and Article 194-7(3) of the FIEA)
 - (21) Financial instruments exchanges (Article 151 and Article 194-7(2)(vi) and (3) of the FIEA)
 - (22) Self-regulation organizations (Article 151 as applied mutatis mutandis pursuant to Article 153-4, and Article 194-7(2)(vi) and (3) of the FIEA)
 - (23) Foreign financial instruments exchanges (Article 155-9 and Article 194-7(2)(vii) and (3) of the FIEA)
 - (24) Submitters of notifications of holding subject voting rights of financial instruments clearing organizations (Article 156-5(4) and Article 194-7(3) of the FIEA)
 - (25) Major shareholders of financial instruments clearing organizations (Article 156-5(8) and Article 194-7(3) of the FIEA)
 - (26) Financial instruments clearing organizations (Article 156-15 and Article 194-7(3) of the FIEA)
 - (27) Foreign financial instruments clearing organizations (Article 156-20-12 and Article 194-7(3) of the FIEA)
 - (28) Securities finance companies (Article 156-34 and Article 194-7(3) of the FIEA)
 - (29) Designated dispute resolution organizations (Article 156-58 and Article 194-7(3) of the FIEA)
 - (30) Trade repositories, etc. (Article 156-80 and Article 194-7(3) of the FEIA)
 - (31) Specified financial index calculation agents, etc. (Article 156-89 and Article 194-7(3) of the FIEA)
 - (32) Investment trust management companies, etc. (Article 22(1) and Article 225(3) of the Act on Investment Trusts and Investment

- Corporations (hereinafter, the "Investment Trust Act"))
- (33) Organizers of investment trusts (Article 213(1) and Article 225(2) and (3) of the Investment Trust Act)
 - (34) Investment corporations (Article 213(2) and Article 225(3) of the Investment Trust Act)
 - (35) Asset custody companies of investment trusts (Article 213(3) and Article 225(3) of the Investment Trust Act)
 - (36) Corporate officers of investment corporations (Article 213(4) and Article 225(3) of the Investment Trust Act)
 - (37) Specified transferors (Article 217(1) as applied mutatis mutandis pursuant to Article 209(2), and Article 290(2)(i) and (3) of the Act on the Securitization of Assets (hereinafter, the "SPC Act"))
 - (38) Specified purpose companies (Article 217(1) and Article 290(3) of the SPC Act)
 - (39) Originators of specified purpose trusts (Article 217(1) as applied mutatis mutandis pursuant to Article 209(2) as applied mutatis mutandis pursuant to Article 286(1), and Article 290(2)(ii) and (3) of the SPC Act)
 - (40) Institutions for book-entry transfers (Article 20(1) and Article 286(2) of the Act on Book-Entry Transfers of Company Bonds, Shares, etc.)
 - (41) Financial service intermediaries (Article 36(1) and (2), Article 82(2)(i) and (ii) of the Act on Provision of Financial Services)
 - (42) Certified Financial Service Intermediary Business Association (Article 49(1) and (2), Article 82(2)(iii) and (iv) of the Act on Provision of Financial Services)
 - (43) Other organizations that are specified as the target of inspections in the laws set forth in (1) through (42) above

It should be kept in mind that when the organizations set forth below become subject to inspections, the inspection must be conducted in sync with the inspection under the authority delegated to the SESC based on the Act on the Prevention of the Transfer of Criminal Proceeds.

- A. Financial instruments business operators (except for exempted operators based on relevant laws and regulations), notifiers of specially permitted services for qualified institutional investors, etc. and notifiers of specially permitted investment management business for Offshore Professional Investors, etc. (including

foreign investment management business operators operating specially permitted investment management business during Transition Period)(Article 16(1) and Article 22(6)(i) of the Act on the Prevention of the Transfer of Criminal Proceeds)

- B. Registered financial institutions (Article 16(1) and Article 22(6)(ii) of the Act on the Prevention of the Transfer of Criminal Proceeds)
- C. Securities finance companies, institutions for book-entry transfers, and account management institutions (Article 16(1) and Article 22(7) of the Act on the Prevention of the Transfer of Criminal Proceeds)

(Note) Statements in brackets indicate stipulations regarding the inspection authority of and the authority delegated to the SESC.