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Financial Instruments and Exchange Act (Act No. 32 in 2010) related to “Introduction of Consolidated Regulation and Supervision of Securities Companies”

Article 32 (Submission, etc. of a Notification of Holding Subject Voting Rights)

(1) ~ (2) (omitted)

(3) When a Major Shareholder other than a Specified Major Shareholder of a Financial Instruments Business Operator has become a Specified Major Shareholder of said Financial Instruments Business Operator, he/she shall, pursuant to the provisions of Cabinet Office Ordinance, notify the Prime Minister of that effect without delay.

(4) The term “Specified Major Shareholder” as used in the preceding paragraph means a person who holds Subject Voting Rights exceeding 50 percent of the Voting Rights Held by All the Shareholders, etc. of a company.

(5) The provision of Article 29-4, paragraph (4) shall apply mutatis mutandis to the cases where the provision of the preceding paragraph is applied.

Article 32-2 (Order for Action, etc. toward Major Shareholders)

(1) (omitted)

(2) When the Prime Minister finds it particularly necessary for the public interest or protection of investors in light of the status of the business or property of a Specified Major Shareholder (meaning Specified Major Shareholder prescribed in paragraph (4) of the preceding Article; the same shall apply hereinafter) of a Financial Instruments Business Operator (in cases where such Specified Major Shareholder is a juridical person, including the status of property of a Subsidiary Juridical Person, etc. (meaning a person who falls under the category of juridical person or other organization that satisfies the requirement that the Specified Major Shareholder holds the majority of the Voting Rights Held by All the Shareholders, etc. of the

juridical person or other organization, etc. or other requirements specified by Cabinet Order as juridical person or other organization having close relationship with the Specified Major Shareholder) of such Specified Major Shareholder), he/she may order the Specified Major Shareholder to take necessary measures for improving the Financial Instruments Business Operator's business operation or the status of its property, within the limit necessary.

- (3) In the event that a Specified Major Shareholder of a Financial Instruments Business Operator violates an order under the preceding paragraph, the Prime Minister may order said Specified Major Shareholder to take a measure to resign from his/her position as Major Shareholder of said Financial Instruments Business Operator or other necessary measures by specifying a period not exceeding three months.

Article 32-3 (Notification, etc. for Resigning from a Position of a Major Shareholder)

(1) (omitted)

- (2) When a Specified Major Shareholder of a Financial Instruments Business Operator has become a Major Shareholder other than a Specified Major Shareholder of said Financial Instruments Business Operator, he/she shall, pursuant to the provisions of Cabinet Office Ordinance, notify the Prime Minister of that effect without delay.

Article 32-4 (Mutatis Mutandis Application of Provisions Concerning Major Shareholders)

The provisions of Article 32, paragraphs (1) and (2), Article 32-2, paragraph (1) and paragraph (1) of the preceding Article shall apply mutatis mutandis to shareholders or equity investors of a Holding Company that holds a Financial Instruments Business Operator as its Subsidiary Company (meaning a Subsidiary Company prescribed in Article 29-4, paragraph (3)).

Section 4-2 Special Provisions Concerning Special Financial Instruments Business Operators, etc.

Subsection 1 Special Financial Instruments Business Operators

Article 57-2 (Notification, etc. concerning Special Financial Instruments Business Operators)

- (1) A Financial Instruments Business Operator (limited to those engaged in Type I Financial Instruments Business, excluding foreign juridical persons; hereinafter the same shall apply in this Subsection) shall, when the amount of its total assets (meaning the total amount of assets calculated pursuant to the provisions of Cabinet Office Ordinance; hereinafter the same shall apply in this Article) exceeds the amount of money (hereinafter referred to as the "Base

Amount of Total Assets” in this Article) specified by Cabinet Order as money indicating the scale of total assets required for ensuring sound and appropriate operation of the business of the group consisting of the Financial Instruments Business Operator and its Subsidiary Juridical Person, etc., notify the Prime Minister of that effect, the amount of the total assets and the basis of calculation thereof within two weeks from the day of said amount being exceeded; provided, however, that in cases where the amount of the total assets becomes equal to or lower than the Base Amount of Total Assets after the Financial Instruments Business Operator makes notification under the main clause of this paragraph, when the amount of total assets of the Financial Instruments Business Operator exceeds the Base Amount of Total Assets again by the time two years have elapsed from the day on which the amount of the total assets became equal to or lower than the Base Amount of Total Assets, the Financial Instruments Business Operator shall not be required to notify of that effect, the amount of the total assets and the basis of calculation thereof.

- (2) A Special Financial Instruments Business Operator (meaning a Financial Instruments Business Operator who made the notification under the provision of the preceding paragraph, excluding those that have come to fall under paragraph (6), item (ii) after making said notification; hereinafter the same shall apply in this Section) shall submit the following documents within the period specified by Cabinet Order from the Notification Date, in cases where the Special Financial Instruments Business Operator has a Parent Company as of the day (hereinafter referred to as the “Notification Date” in this Subsection) on which the notification was made under the provision of the preceding paragraph.
- (i) a document describing the trade name or name of the Parent Company of the Special Financial Instruments Business Operator and other matters specified by Cabinet Office Ordinance;
 - (ii) latest Quarterly Securities Report concerning a Parent Company without its Parent Companies among Parent Companies of the Special Financial Instruments Business Operator and other documents describing the status of the business and property of the Parent Company of the Special Financial Instruments Business Operator and its Subsidiary Juridical Person, etc. pursuant to the provisions of Cabinet Office Ordinance;
 - (iii) in cases where the group consisting of the Parent Company of the Special Financial Instruments Business Operator and its Subsidiary Juridical Person, etc. is supervised with respect to its status of business operations and property by an administrative organization based on other laws and regulations (including cases in which the group is supervised by an administrative organization of a foreign state or any other equivalent organization based on the laws and regulations of a foreign state), a document explaining that effect; and
 - (iv) in cases where the Parent Company of the Special Financial Instruments Business Operator conducts business administration of the Special Financial Instruments Business Operator or in cases where the Parent Company of the Special Financial Instruments Business Operator or its Subsidiary Juridical Person, etc. provides assistance related to fund procurement to the Special Financial Instruments Business Operator, a document describing

the contents and method of such business administration or assistance pursuant to the provisions of Cabinet Office Ordinance.

- (3) When a company becomes a Parent Company of a Special Financial Instruments Business Operator on or after the Notification Date, the Special Financial Instruments Business Operator shall submit the documents listed in the items of the preceding paragraph to the Prime Minister within the period specified by Cabinet Order from the day of becoming the Parent Company.
- (4) A Special Financial Instruments Business Operator (limited to those with a Parent Company) who submitted the documents listed in the items of paragraph (2) under the provisions of the preceding two paragraphs shall, when there are any changes in matters contained in the documents (excluding documents related to a Designated Parent Company prescribed in Article 57-12, paragraph (3) or its Subsidiary Juridical Person, etc. specified by Cabinet Office Ordinance) listed in items (i), (iii) or (iv) of paragraph(2) notify the Prime Minister of that effect pursuant to the provisions of Cabinet Office Ordinance without delay.
- (5) A Special Financial Instruments Business Operator (limited to those with a Parent Company) who submitted the documents listed in the items of paragraph (2) under the provisions of paragraph (2) or (3) shall, for each quarter (meaning each of the periods categorized into January to March, April to June, July to September and October to December; hereinafter the same shall apply in this paragraph, Article 57-5, paragraphs (2) and (3) and Article 57-17, paragraphs (2) and (3)), submit a Quarterly Securities Report of a Parent Company without its Parent Companies among Parent Companies of the Special Financial Instruments Business Operator and documents describing the status of the business and property of the Parent Company of the Special Financial Instruments Business Operator and its Subsidiary Juridical Person, etc. pursuant to the provisions of Cabinet Office Ordinance (excluding documents related to the Ultimate Designated Parent Company prescribed in Article 57-12, paragraph (3) or its Subsidiary Juridical Person, etc. specified by Cabinet Office Ordinance) to the Prime Minister within the period specified by Cabinet Order from the end of said quarter.
- (6) When a Special Financial Instruments Business Operator has come to fall under any of the following items, he/she shall notify the Prime Minister of that effect without delay:
 - (i) when the Special Financial Instruments Business Operator no longer has a Parent Company; or
 - (ii) when two years have elapsed from the day on which the amount of its total assets became equal to or lower than the Base Amount of Total Assets, while its total assets since do not exceed the Base Amount of Total Assets.
- (7) When the Prime Minister accepts a notification under paragraph (1), he/she shall note that the Financial Instruments Business Operator who made such notification is a Special Financial Instruments Business Operator in registration of said Financial Instruments Business Operator.
- (8) The term "Parent Company" as used in paragraphs (2) to (6) inclusive means a company which has another company as its Subsidiary Company (meaning a Subsidiary Company

prescribed in Article 29-4, paragraph (3); hereinafter the same shall apply in the following paragraph).

- (9) The term “Subsidiary Juridical Person, etc.” as used in paragraphs (1), (2), (4) and (5) means those meeting the requirements specified by Cabinet Order as a Subsidiary Company of another company or other juridical person or organization with a close relationship with such other company.

Article 57-3 (Submission, etc. of Business Reports)

- (1) A Special Financial Instruments Business Operator (limited to a Special Financial Instruments Business Operator with a Subsidiary Juridical Person, etc. (meaning Subsidiary Juridical Person, etc. prescribed in paragraph (9) of the preceding Article; hereinafter the same shall apply in this Section) ; hereinafter the same shall apply in this Subsection) shall, pursuant to the provisions of Cabinet Office Ordinance, in and after the business year which includes the day on which the period specified by Cabinet Order has elapsed from the Notification Date, prepare a business report describing the status of the business and property of the Special Financial Instruments Business Operator and its Subsidiary Juridical Person, etc. on a consolidated basis, and submit said business report to the Prime Minister within three months after the end of each business year.
- (2) A Special Financial Instruments Business Operator shall, pursuant to the provisions of Cabinet Office Ordinance, report the status of the business or property of the Special Financial Instruments Business Operator and its Subsidiary Juridical Person, etc. to the Prime Minister, in addition to submission of the business report under the provision of the preceding paragraph.
- (3) When the Prime Minister finds it necessary and appropriate for the public interest or protection of investors, he/she may order a Special Financial Instruments Business Operator to put all or part of the business report under paragraph (1) to public notice, pursuant to the provisions of Cabinet Order.

Article 57-4 (Public Inspection of Explanatory Documents)

A Special Financial Instruments Business Operator shall, in and after the business year which includes the day on which the period specified by Cabinet Order has elapsed from the Notification Date, prepare explanatory documents containing the matters specified by Cabinet Office Ordinance as the matters concerning status of business and property of the Special Financial Instruments Business Operator and its Subsidiary Juridical Person, etc. on a consolidated basis of the Special Financial Instruments Business Operator and its Subsidiary Juridical Person, etc., and keep said explanatory documents at all of its business offices or offices and make them available for public inspection for one year from the day on which the period specified by Cabinet Order has elapsed from the end of each business year.

Article 57-5 (Notification, etc. of documents describing Status of Soundness in

Management)

- (1) The Prime Minister shall, to contribute to the sound and appropriate operation of business of a Special Financial Instruments Business Operator, establish criteria as to whether the capital adequacy status of the Special Financial Instruments Business Operator and its Subsidiary Juridical Person, etc. is appropriate in light of the assets, etc. held by the Special Financial Instruments Business Operator and its Subsidiary Juridical Person, etc. and other criteria that indicate the status of soundness in management of the Special Financial Instruments Business Operator and its Subsidiary Juridical Person, etc., as criteria for the Special Financial Instruments Business Operator to determine the soundness in its management.
- (2) A Special Financial Instruments Business Operator shall, in and after the quarter which includes the day on which the period specified by Cabinet Order has elapsed from the Notification Date, notify the Prime Minister of documents describing the status of soundness in management (hereinafter simply referred to as “Management Soundness Status” in the following paragraph and the following Article) indicated by using the criteria prescribed in the preceding paragraph as at the last day of said quarter in a written document, pursuant to the provisions of Cabinet Office Ordinance in each quarter.
- (3) A Special Financial Instruments Business Operator shall, in and after the quarter which includes the day on which the period specified by Cabinet Order has elapsed from the Notification Date, put the documents describing the Management Soundness Status at all of its business offices or offices and make them available for public inspection in each quarter, for three months from the day on which the period specified by Cabinet Order has elapsed from the end of the quarter, pursuant to the provisions of Cabinet Office Ordinance.

Article 57-6 (Supervisory Disposition according to Management Soundness Status)

- (1) When the Prime Minister finds it necessary and appropriate for the public interest or protection of investors in light of the Management Soundness Status of a Special Financial Instruments Business Operator and its Subsidiary Juridical Person, etc., he/she may order the Special Financial Instruments Business Operator to suspend all or part of its business by specifying a period not exceeding three months, change the methods of its business, deposit its property, or conduct other matters necessary for supervision, within the limit necessary.
- (2) The order under the provision of the preceding paragraph shall be executed according to the classification of Management Soundness Status of a Special Financial Instruments Business Operator and its Subsidiary Juridical Person, etc., and the Prime Minister shall define in advance such classification and the nature of the order according to such classification and make a public notice of the same.
- (3) In cases where the Prime Minister has ordered a Special Financial Instruments Business Operator to suspend all or part of its business under the provision of paragraph (1), if the management soundness status of the Special Financial Instruments Business Operator and its Subsidiary Juridical Person, etc. has not improved and is deemed to have no prospects of improving at the day on which three months have elapsed from the day of the order, he/she

may rescind the registration of the Special Financial Instruments Business Operator under Article 29.

Article 57-7 (Public Notice of Supervisory Disposition)

In the following cases, the Prime Minister shall give a public notice to that effect, pursuant to the provisions of Cabinet Office Ordinance:

- (i) when he/she has ordered the suspension of all or part of business under the provision of paragraph (1) of the preceding Article; or
- (ii) when he/she has rescinded the registration under Article 29 pursuant to the provision of paragraph (3) of the preceding Article.

Article 57-8 (Deletion of Registration, etc.)

- (1) When the Prime Minister has rescinded registration under Article 29 pursuant to the provision of Article 57-6, paragraph (3), he/she shall delete said registration.
- (2) When the Prime Minister has accepted a notification under the provision of Article 57-2, paragraph (6), item (ii), he/she shall delete the supplementary note of Special Financial Instruments Business Operator prescribed in paragraph (7) of that Article.

Article 57-9 (Completion of Remaining Business)

The provision of Article 50-2, paragraph (8) shall apply mutatis mutandis to a person who was a Special Financial Instruments Business Operator in cases where the Special Financial Instruments Business Operator had its registration under Article 29 rescinded under the provision of Article 57-6, paragraph (3). In this case, a person who was the Special Financial Instruments Business Operator shall be deemed to be a Financial Instruments Business Operator within the scope of the purpose to complete Customer Transactions.

Article 57-10 (Order for the Reports and Inspection)

- (1) When the Prime Minister finds it necessary and appropriate for the public interest or protection of investors, he/she may order a Subsidiary Company, etc. of a Special Financial Instruments Business Operator to submit reports or materials that will be helpful for understanding the property of the Special Financial Instruments Business Operator, or have the officials inspect the status of the business or property, documents, or other articles of the Subsidiary Company, etc. (the inspection shall be limited to what is necessary to understand the property of the Special Financial Instruments Business Operator).
- (2) The term “Subsidiary Company, etc.” as used in the preceding paragraph means another company, etc. whose body that decides its financial and operational or business policies (meaning shareholders meeting or other equivalent body; hereinafter referred to as “decision-making body” in this paragraph) is controlled by its Parent Company, etc. (a company, etc. (meaning a company, partnership or other equivalent business entity, including those equivalent thereto in a foreign state; hereinafter the same shall apply in this paragraph)

that controls the decision-making body of another company, etc. specified by Cabinet Office Ordinance). In this case, if a Parent Company, etc. and its Subsidiary Company, etc. or its Subsidiary Company, etc. controls the decision-making body of another company, etc., such company, etc. shall be deemed as a Subsidiary Company, etc. of the Parent Company, etc.

Article 57-11 (Hearing, etc.)

- (1) When the Prime Minister intends to make disposition based on the provision of Article 57-6, paragraph (1) or (3), he/she shall hold a hearing irrespective of the categories of procedures for hearing statements of opinion under Article 13, paragraph (1) of the Administrative Procedure Act.
- (2) When the Prime Minister has decided to make disposition based on the provision of Article 57-6, paragraph (1) or (3), he/she shall notify the Special Financial Instruments Business Operator of that effect in writing.

Subsection 2 Designated Parent Company

Article 57-12 (Designation, etc.)

- (1) In cases where the Parent Company (meaning the Parent Company prescribed in Article 57-2, paragraph (8); hereinafter the same shall apply in this Section) of a Special Financial Instruments Business Operator or its Subsidiary Juridical Person, etc. satisfies any of the following requirements, if the Prime Minister finds it particularly necessary to ensure sound and appropriate operation of the business of the Parent Company and its Subsidiary Juridical Person, etc. for the public interest or protection of investors, he/she may designate the Parent Company as being subject to the provisions of this Subsection:
 - (i) the Parent Company conducts business administration of the Special Financial Instruments Business Operator as a business; or
 - (ii) the Parent Company or its Subsidiary Juridical Person, etc. loans funds, guarantees obligations or provides other similar assistance related to fund procurement to the Special Financial Instruments Business Operator for the purpose of its business operations which, if suspended, is deemed to have the risk of causing substantial detriment to the sound and appropriate operation of the business of the Special Financial Instruments Business Operator.
- (2) In cases where the group consisting of the Parent Company of a Special Financial Instruments Business Operator and its Subsidiary Juridical Person, etc. is deemed to be appropriately supervised with respect to its status of business operations and property by an administrative organization based on other laws and regulations (including cases in which the group is deemed to be appropriately supervised by an administrative organization of a foreign state or any other equivalent organization based on the laws and regulations of a foreign state),

the Prime Minister may choose not to make the designation under the provision of the preceding paragraph.

- (3) When the Prime Minister has made the designation under the provision of paragraph (1), he/she shall give the Designated Parent Company notice of that effect, the trade name of the Special Financial Instruments Business Operator subject to such designation (hereinafter referred to as “Subject Special Financial Instruments Business Operator”) and whether or not the designated person (hereinafter referred to as “Designated Parent Company”) is a Ultimate Designated Parent Company (meaning a Designated Parent Company in which there is no other Designated Parent Company without holding the same Subject Special Financial Instruments Business Operator controlled by the Designated Parent Company among Parent Companies of the Designated Parent Company; hereinafter the same shall apply in this Subsection). The same shall apply in the event of any changes in the foregoing matters.
- (4) When the Prime Minister has made the designation under the provision of paragraph (1), he/she shall give public notice of the trade name or name and the location of the head office or principal office of the Designated Parent Company (in the case of a foreign company that has an office in Japan, including the location of its principal office in Japan; hereinafter the same shall apply in paragraph (1), item (iv) of the following Article), and the trade name of the Subject Special Financial Instruments Business Operator in the official gazette. The same shall apply in the event of any changes in the foregoing matters.
- (5) When the Prime Minister determines that the reason for being designated as Designated Parent Company under the provision of paragraph (1) no longer exists, he/she shall withdraw such designation and give notice of that effect to the Designated Parent Company whose designation is withdrawn.
- (6) When the Prime Minister withdraws the designation under the provision of the preceding paragraph, he/she shall give public notice of that effect in the official gazette.

Article 57-13 (Notification, etc. by Designated Parent Company)

- (1) A Designated Parent Company shall submit a document containing the following matters to the Prime Minister by the day on which the period specified by Cabinet Order has elapsed from the day of receiving the designation under the provision of paragraph (1) of the preceding Article; provided, however, that this shall not apply to cases in which the Designated Parent Company is no longer the Parent Company of the Subject Special Financial Instruments Business Operator by such day:
 - (i) trade name or name;
 - (ii) amount of the stated capital or total amount of contribution;
 - (iii) name(s) of Officer(s);
 - (iv) name and location of head office or principal office;
 - (v) the fact that the group consisting of the Designated Parent Company and its Subsidiary Juridical Person, etc. is supervised with respect to its status of business operations and property by an administrative organization based on other laws and regulations (including

cases in which the group is supervised by an administrative organization of a foreign state or any other equivalent organization based on the laws and regulations of a foreign state), if applicable;

(vi) matters specified by Cabinet Office Ordinance as the contents and methods of business administration of the Subject Special Financial Instruments Business Operator by the Designated Parent Company or assistance related to fund procurement to the Subject Special Financial Instruments Business Operator by the Designated Parent Company or its Subsidiary Juridical Person, etc.; and

(vii) other matters specified by Cabinet Office Ordinance.

(2) The following documents shall be attached to the document under the preceding paragraph:

(i) a document to pledge that the Designated Parent Company does not fall under Article 57-20, paragraph (1), item (i) or (iv) (in the case of a foreign company, item (i) of that paragraph); and

(ii) the articles of incorporation, certificate of registered matters, and other documents specified by Cabinet Office Ordinance.

(3) In cases where attaching documents set forth in item (ii) of the preceding paragraph, when the articles of incorporation is prepared in the form of an Electromagnetic Record, such Electromagnetic Record (limited to those specified by Cabinet Office Ordinance) may be attached in lieu of written documents.

Article 57-14 (Notification of Change)

When there are any changes in matters listed in the items of paragraph (1) of the preceding Article, a Designated Parent Company shall notify the Prime Minister to that effect within two weeks from the day of the change, pursuant to the provisions of Cabinet Office Ordinance.

Article 57-15 (Submission, etc. of Business Reports)

(1) An Ultimate Designated Parent Company shall, pursuant to the provisions of Cabinet Office Ordinance, in and after the business year which includes the day on which the period specified by Cabinet Order has elapsed from the day on which the company became an Ultimate Designated Parent Company, prepare a business report describing the status of the business and property of the Ultimate Designated Parent Company and its Subsidiary Juridical Person, etc. on a consolidated basis, and submit said business report to the Prime Minister within three months after the end of each business year.

(2) An Ultimate Designated Parent Company shall, pursuant to the provisions of Cabinet Office Ordinance, report the status of the business or property of the Ultimate Designated Parent Company and its Subsidiary Juridical Person, etc. to the Prime Minister, in addition to the submission of the business report under the provision of the preceding paragraph.

(3) When the Prime Minister finds it necessary and appropriate for the public interest or protection of investors, he/she may order an Ultimate Designated Parent Company to put all or part of the business report under paragraph (1) to public notice, pursuant to the provisions

of Cabinet Order.

Article 57-16 (Public Inspection of Explanatory Documents)

An Ultimate Designated Parent Company shall, in and after the business year which includes the day on which the period specified by Cabinet Order has elapsed from the day on which the company became an Ultimate Designated Parent Company, prepare explanatory documents containing the matters specified by Cabinet Office Ordinance as the matters concerning status of business and property of the Ultimate Designated Parent Company and its Subsidiary Juridical Person, etc. on a consolidated basis of the Ultimate Designated Parent Company and its Subsidiary Juridical Person, etc., and keep said explanatory documents at all of the business offices or offices of the Subject Special Financial Instruments Business Operator and make them available for public inspection for one year from the day on which the period specified by Cabinet Order has elapsed from the end of each business year.

Article 57-17 (Notification, etc. of Documents Describing Status of Soundness of Management)

- (1) The Prime Minister shall, to contribute to the sound and appropriate operation of business of a Subject Special Financial Instruments Business Operator, establish criteria as to whether the capital adequacy status of the Ultimate Designated Parent Company and its Subsidiary Juridical Person, etc. is appropriate in light of the assets, etc. held by the Ultimate Designated Parent Company and its Subsidiary Juridical Person, etc. and other criteria that indicate the status of soundness of management of the Ultimate Designated Parent Company and its Subsidiary Juridical Person, etc., as criteria for the Ultimate Designated Parent Company to determine the soundness of the management of the Ultimate Designated Parent Company and its Subsidiary Juridical Person, etc.
- (2) An Ultimate Designated Parent Company shall, in and after the quarter which includes the day on which the period specified by Cabinet Order has elapsed from the day on which the company became an Ultimate Designated Parent Company, notify the Prime Minister of documents describing the status of soundness of management (hereinafter simply referred to as “Management Soundness Status” in the following paragraph and Article 57-21, paragraphs (1) to (3) inclusive) indicated by using the criteria prescribed in the preceding paragraph as of the last day of said quarter in a written document, pursuant to the provisions of Cabinet Office Ordinance in each quarter.
- (3) An Ultimate Designated Parent Company shall, in and after the quarter which includes the day on which the period specified by Cabinet Order has elapsed from the day on which the company became an Ultimate Designated Parent Company, keep the documents describing the Management Soundness Status at all of the business offices or offices of the Subject Special Financial Instruments Business Operator and make them available for public inspection in each quarter, for three months from the day on which the period specified by Cabinet Order has elapsed from the end of the quarter, pursuant to the provisions of Cabinet Office

Ordinance.

Article 57-18 (Notification, etc.)

- (1) When a Designated Parent Company has come to fall under any of the following items, it shall notify the Prime Minister to that effect without delay, pursuant to the provisions of Cabinet Office Ordinance:
 - (i) when the Designated Parent Company merges with other juridical person (excluding the cases where the Designated Parent Company has extinguished upon merger);
 - (ii) when an application for commencement of bankruptcy proceedings, rehabilitation proceedings, or reorganization proceedings has been filed; or
 - (iii) when falling under other cases specified by Cabinet Office Ordinance.
- (2) When a Designated Parent Company has come to fall under any of the following items, the person specified in the respective items shall notify the Prime Minister to that effect within 30 days from such day:
 - (i) when the Designated Parent Company is no longer the Parent Company of the Subject Special Financial Instruments Business Operator: the company that used to be the Designated Parent Company;
 - (ii) when the Designated Parent Company has extinguished upon merger: the person who was an Officer representing the Designated Parent Company;
 - (iii) when the Designated Parent Company has dissolved upon decision of commencement of bankruptcy proceedings: the bankruptcy trustee thereof; or
 - (iv) when the Designated Parent Company has dissolved due to other than a merger or decision of commencement of bankruptcy proceedings: the liquidator thereof.
- (3) When a Designated Parent Company has come to fall under any of the items of the preceding paragraph, the designation under the provision of Article 57-12, paragraph (1) shall lose its effect.
- (4) When the notification under the provision of paragraph (2) has been filed, the Prime Minister shall make a public notice that the designation has lost its effect under the provision of the preceding paragraph in the official gazette.

Article 57-19 (Order to Improve Business Operation to a Designated Parent Company, etc.)

- (1) When the Prime Minister finds it necessary and appropriate for the public interest or protection of investors in light of the status of the business of a Designated Parent Company or the status of property of the Designated Parent Company and its Subsidiary Juridical Person, etc., he/she may order the Designated Parent Company to take necessary measures for improving the Subject Special Financial Instruments Business Operator's business operation or the status of its property, within the limit necessary.
- (2) In cases where the Prime Minister has issued an order to a Designated Parent Company under the provision of the preceding paragraph, when he/she finds it particularly necessary in light of the status of measures taken concerning such order, he/she may order the Subject

Special Financial Instruments Business Operator to take necessary measures for improving the status of its business operation or property.

Article 57-20 (Order for Action, etc. toward Designated Parent Company, etc.)

- (1) When a Designated Parent Company falls under any of the following items, the Prime Minister may order the Designated Parent Company to take measures to resign from its position as Parent Company of a Subject Special Financial Instruments Business Operator or other necessary measures by specifying a period not exceeding three months:
 - (i) when there is a person falling under any of sub-items (a) to (g) inclusive of Article 29-4, paragraph (1), item (ii) among its Officers;
 - (ii) when its business is found to be against the public interest;
 - (iii) in light of the personnel structure of the Designated Parent Company, when there is a risk of impairing sound and appropriate operation of the business of the Subject Special Financial Instruments Business Operator; or
 - (iv) in the case of a domestic company, when it is not a stock company (limited to the stock companies which have the following organs):
 - (a) a board of directors; and
 - (b) a board of company auditors or committee(s)
- (2) When a Designated Parent Company falls under any of the following items, the Prime Minister may order the Designated Parent Company to take measures to resign from its position as Parent Company of a Subject Special Financial Instruments Business Operator or other necessary measures by specifying a period not exceeding three months, or order the Subject Special Financial Instruments Business Operator to suspend whole or part of its business by specifying a period not exceeding six months:
 - (i) when the Designated Parent Company has violated laws and regulations or dispositions given by the Prime Minister based on laws and regulations; or
 - (ii) when there is a risk of insolvency in light of the status of the business or property.
- (3) when an Officer of a Designated Parent Company (with regard to a foreign company, limited to Officers stationed at offices in Japan; hereinafter the same shall apply in this paragraph) comes to fall under any of Article 29-4, paragraph (1), item (ii), sub-items (a) to (g) inclusive, or comes to fall under item (i) of the preceding paragraph, the Prime Minister may order the Designated Parent Company to dismiss said Officer.

Article 57-21 (Supervisory Disposition according to Management Soundness Status)

- (1) When the Prime Minister finds it necessary and appropriate for the public interest or protection of investors in light of the Management Soundness Status of an Ultimate Designated Parent Company and its Subsidiary Juridical Person, etc., he/she may order the Ultimate Designated Parent Company to conduct matters necessary for supervision within the limit necessary.
- (2) In cases where the Prime Minister has issued an order to an Ultimate Designated Parent

Company under the provision of the preceding paragraph, if the Management Soundness Status of the Ultimate Designated Parent Company and its Subsidiary Juridical Person, etc. has not improved and is deemed to have no prospects of improving as of the day on which three months have elapsed from the day of the order, he/she may order the Ultimate Designated Parent Company to take measures to resign from its position as Parent Company of the Subject Special Financial Instruments Business Operator or other necessary measures by specifying a period not exceeding three months.

- (3) The order under the provision of the preceding two paragraphs shall be executed according to the classification of Management Soundness Status of an Ultimate Designated Parent Company and its Subsidiary Juridical Person, etc., and the Prime Minister shall define in advance such classification and the contents of the order according to such classification and make a public notice of them.
- (4) In cases where the Prime Minister has issued an order to an Ultimate Designated Parent Company under the provision of paragraph (1), when he/she finds it particularly necessary in light of the status of measures taken concerning such order, he/she may order the Subject Special Financial Instruments Business Operator to take measures necessary for supervision.

Article 57-22 (Public Notice of Supervisory Disposition)

In the following cases, the Prime Minister shall make a public notice to that effect, pursuant to the provisions of Cabinet Office Ordinance:

- (i) when he/she has ordered that measures should be taken under the provision of Article 57-20, paragraph (1);
- (ii) when he/she has ordered that measures should be taken under the provision of Article 57-20, paragraph (2), or ordered that whole or part of business should be suspended; or
- (iii) when he/she has ordered that measures should be taken under the provision of paragraph (2) of the preceding Article.

Article 57-23 (Order for the Production of Reports and Inspection)

When the Prime Minister finds it necessary and appropriate for the public interest or protection of investors, he/she may order a Designated Parent Company, a person who conducts transactions with the Designated Parent Company, a Subsidiary Company, etc. of the Designated Parent Company (meaning Subsidiary Company, etc. prescribed in Article 57-10, paragraph (2); hereinafter the same shall apply in this Article) or a person who has received entrustment of business from the Designated Parent Company to submit reports or materials that will be helpful for understanding the business or property of the Subject Special Financial Instruments Business Operator or the Designated Parent Company (in the case of such Subsidiary Company, etc., limited to reports or materials that will be helpful for understanding the property of the Subject Special Financial Instruments Business Operator or the Designated Parent Company), or have the officials inspect the status of the business or property, the books and documents, or other articles of the Designated Parent Company, the

Subsidiary Company, etc. or the person who has received entrustment of business from the Designated Parent Company (in the case of such Subsidiary Company, etc., the inspection shall be limited to what is necessary to understand the property of the Subject Special Financial Instruments Business Operator or the Designated Parent Company, and in the case of the person who has received entrustment of business from the Designated Parent Company, the inspection shall be limited to what is necessary to understand the business or property of the Subject Special Financial Instruments Business Operator or the Designated Parent Company).

Article 57-24 (Hearing, etc.)

- (1) When the Prime Minister intends to make disposition based on the provision of Article 57-19, Article 57-20, paragraph (1) or (2) or Article 57-21, paragraph (1), (2) or (4), he/she shall hold a hearing irrespective of the categories of procedures for hearing statements of opinion under Article 13, paragraph (1) of the Administrative Procedure Act.
- (2) When the Prime Minister has decided to make disposition based on the provision of Article 57-19, Article 57-20 or Article 57-21, paragraph (1), (2) or (4), he/she shall notify the Designated Parent Company or the Subject Special Financial Instruments Business Operator to that effect in writing.

Article 57-25 (Exclusion from Application)

The provisions of Articles 57-3 to 57-7 inclusive, Article 57-8, paragraph (1), Article 57-9 and Article 57-11 shall not apply to Subject Special Financial Instruments Business Operators.

Subsection 3 Miscellaneous Provisions

Article 57-26 (Measures concerning Major Shareholders of Designated Parent Company)

- (1) The provisions of Article 32, paragraphs (1) and (2), Article 32-2, paragraph (1) and Article 32-3, paragraph (1) shall apply mutatis mutandis to Shareholders or equity investors of a Designated Parent Company.
- (2) When the Prime Minister finds it necessary and appropriate for the public interest or protection of investors, he/she may order a Major Shareholder (meaning Major Shareholders prescribed in Article 29-4, paragraph (2); hereinafter the same shall apply in this paragraph) of a Designated Parent Company to submit reports or materials that will be helpful for understanding the notification or measures under Article 32, paragraph (1) or (2), Article 32-2, paragraph (1) or Article 32-3, paragraph (1) as applied mutatis mutandis pursuant to the provisions of the preceding paragraph, or the business or property of the Subject Special Financial Instruments Business Operator or the Designated Parent Company, or have the officials inspect documents or other articles of the Major Shareholder (the inspection shall be

limited to what is necessary to understand the notification or measures under Article 32, paragraph (1) or (2), Article 32-2, paragraph (1) or Article 32-3, paragraph (1) as applied mutatis mutandis pursuant to the provisions of the preceding paragraph or the business or property of the Subject Special Financial Instruments Business Operator or the Designated Parent Company).

Article 57-27 (Technical Replacement of Terms, etc. for Application of Provisions of This Act to a Foreign Company)

In cases where the Parent Company of a Special Financial Instruments Business Operator is a foreign company, the technical replacement of the terms for the application of the provisions of this Act and other necessary matters concerning the application of the provisions of this Act to said foreign company shall be specified by Cabinet Order.