

Compliance System Checklist and Insurance Underwriting Management System Manual

The purpose of this checklist is to encourage insurance companies to serve the public good and to confirm their systems for accomplishing this. It does this by re-articulating the roles that the board of directors, etc. and board of auditors, etc. are expected to play, describing the programs that will achieve compliance, seeking to make directors aware of compliance issues, and bringing about the company spirits that compliance is important for themselves. It is necessary to establish a proper insurance sales management system under which directors are aware of compliance issues and compliance-oriented corporate spirits are brought about, so that the interests of policyholders are not sacrificed in selling and concluding an insurance. Therefore, a manual to confirm such systems in specific terms on the basis of the checklist was also prepared. This checklist and manual are to be used to verify insurance-company compliance systems, including an insurance sales management system.

This checklist and manual apply to all insurance companies, including the foreign offices of Japanese insurance companies (foreign branch, foreign subsidiaries, and offices of the overseas workers, etc., though whether to include these offices in the inspection by this checklist and manual will be determined in light of applicable laws and ordinances, including applicable foreign-country laws and ordinances) and the Japan offices of foreign insurance companies.

[Notes on the use of this manual in inspections]

This manual is essentially a handbook to be used by inspectors in the inspection of insurance companies. It is expected that, as part of their efforts to ensure sound and proper operations and in accordance with the principle of self-responsibility, individual insurance companies will fully exercise their creativity and innovation to voluntarily create their own detailed manuals. These insurance company manuals should make note of the content of this manual and be adapted to the size and nature of the insurance company.

The check points in this manual represent standard to be used by inspectors in evaluating the compliance systems of insurance companies. They do not constitute direct statutory obligations to be achieved by insurance companies. Care must be taken that the manual is not adopted by rote and uniformly. If there may be cases in which the checklist description has not been fulfilled literally, by insurance company, in the light of ensuring the soundness and appropriateness of its operations only the time that the measures by insurance company are equivalent in their effects to the descriptions for the check point or are sufficient given the size and nature of the insurance company, these measures would not be deemed inappropriate.

Inspectors will therefore need to fully dialogue relevant points with insurance companies during on-site inspections.

Note: Explanation of check points

Unless explicitly stated otherwise, items expressed in the question form such as “does the insurance company” or “is the insurance company” are minimum standards that are expected of all insurance companies. Inspectors, as they go through their checklists, need to fully verify the effectiveness of these items.

Unless explicitly stated otherwise, items worded in the form of “it would be desirable that” constitute “best practice(sound practice)” for all insurance companies. Inspectors need only confirm these items.

Note: Distinction between “board of directors” and “board of directors, etc.”

Items that are defined as roles of the “board of directors” are items for which the board of directors itself needs to determine all essential matters. This does not, however, preclude the board of directors from delegating consideration of draft documents to the management committee or similar bodies.

The phrase “board of directors, etc.” includes the board of directors, the management committee, the management meeting, and similar bodies. Items that are defined as roles of the “board of directors, etc.” would ideally be determined by the board of directors itself, but may be delegated to the management committee, etc. provided that there has been a clear delegation of this authority from the board of directors, the management committee, etc. has kept minutes of its proceedings and other materials that would allow after-the-fact confirmation, and there are adequate internal checking by the measure the results are reported to the board of directors, or auditors are allowed to participate in the management committee, etc.

Note: Explanation of “business base”, “business bases”, “insurance sales”, “policyholders”

The phrase “business base” refers to organizations other than the head office that constitute business bases, such as branch offices, business headquarters, foreign branch offices, and foreign subsidiaries. The phrase “business bases” refers to organizations other than the head office that do not engage in sales activities, such as operating bases, service centers, and foreign liaison offices.

The phrase “insurance sales” refers to insurance agency or insurance agent and does not include insurance broker.

In this checklist and manual, the phrase “policyholders” refers to insurant, insured person, insurance beneficiaries, or person targeted in sales activities or other customers.

Item	Compliance Check Point	Explanation of Compliance Check Points	Remarks
I. Arrangement and establishment of compliance structures	1. Functions of the board of directors as the body making decisions on business-execution and supervising director activities	1. The responsibilities and obligations of directors for business execution (1) Do the directors, from the perspectives of checking and restraining arbitrary actions of the representative director in the execution of business activities, facilitating appropriate business execution and, maintaining and improving the trust of the financial institution, take active part in the decision-making process of the board of directors and in the supervision of business execution by directors? (2) Do the directors fulfill their obligations as good caretaker and as faith in the execution of business based on substantive discussions from the perspective of strengthening the institution's base of trust? (3) Does the board of directors position the formulation of corporate morals, as defined by social responsibilities, public duties, and similar considerations, as a priority task and does it erect structures to achieve this? (4) Does the board of directors discuss, not only ways to promote business, but also compliance issues related to the management and operation of the institution?	Note: "Compliance" and "laws and ordinances" refer to compliance with internal rules and regulations in addition to the laws and ordinances listed in Section V of this checklist.
	2. Minutes of board of directors meetings	2. Creation and storage of the minutes of board of directors' meeting (1) Are minutes of board of directors meetings kept? (2) Are the minutes of board of directors meetings stored for periods of time as specified by law? (3) Are materials of agenda created showing the issues on the board of directors' agenda? (4) Are the documents described in the above question stored for the same period of time as the minutes of board of directors meeting? (5) Do the minutes of board of directors meetings and base documents record compliance-related decisions by the representative directors, and confirm or assume verification of the status of various risks and problems related thereto, and reports of injustices and other problems?	
	3. Management surveillance functions of board of auditors, etc.	3. Are the auditors and board of auditors assured of the their independence, do they perform effective operational audits of the directors and accounting audits, and the functions of policyholder representative displayed? (1) Does at least one auditor attend meetings of the board of directors when compliance issues are on the agenda? It is desirable that a full-time auditor attends such a meeting. (2) Is the board of auditors assured of its independence as intended by the law? (3) Does the board of auditors appropriately exercise the wide-ranging authority granted to it to perform operational audits in addition to accounting audits? Does the board of auditors have necessary and appropriate assistant staff? (4) Are accounting auditors used to complement the functions of the board of auditors, etc.? Does the institution use firms when necessary? (5) Do internal auditors understand that they are still independent structures even when there is a board of auditors, and do they actively perform audits on their own responsibility? (6) Are there systems in place to enable the board of auditors to check that the findings of external audits by accounting auditors are themselves appropriate and, if necessary, to take measures such as replacing accounting auditors?	

Item	Compliance Check Point	Explanation of Compliance Check Points	Remarks
		(7) Is the board of policyholder representatives managed in accordance with laws and ordinances to fulfill its management surveillance functions properly?	
	4. Check for basic policies and compliance standards	<p>4. Check for basic compliance policies</p> <p>(1) Does the insurance company position compliance as one of its top managerial priorities? Has the board of directors formulated basic policies and standards for compliance practice?</p> <p>(2) Are all employee and insurance agents fully aware of basic policies and compliance standards? For example, are documents such as those listed below “reference” available in directors’ offices, in individual business divisions, and in business bases?</p> <p>(3) Does the insurance company work in cooperation with the police and other relevant organization to take drastic measures against antisocial powers?</p> <p>(4) Do the basic policies and compliance standards articulate specific, concrete behavioral policies and standards, not just moral rules?</p> <p>Reference: “Keidanren Charter For Good Corporate” and “Keidanren Handbook Of Charter For Good Corporate Behavior” (17 December 1996) “Code of Conduct” (Life Insurance Association of Japan, 17 October 1997; Marine & Fire Insurance Association of Japan, October 1997)</p>	
	5. Check for “specific actions as directors” related to compliance	<p>5. Check of “director recognition”</p> <p>(1) Do the directors take the initiative in good-faith efforts to ensure compliance? Does the board of directors take responsibility for promoting strict moral and integrity standards, and for establishing a culture within the organization that emphasizes and demonstrates to all levels of employee the importance of internal controls?</p> <p>(2) Do the directors have specific programs for ensuring that employees understand compliance issues?</p> <p>Do the representative directors use the new year’s message, branch manager meetings, and other possible occasions to communicate the insurance company’s efforts to ensure compliance?</p> <p>Do directors position the compliance division on par with business divisions, ensure that it has appropriate staffing and adequate size, take an interest in its management, evaluate its results, and appropriately value its contribution in personnel evaluations?</p> <p>Do the directors themselves take fair, impartial, firm, rule-based attitudes towards internal and external compliance issues?</p> <p>Are compliance-related programs regularly evaluated?</p>	
II. Formulation of compliance standards (code of conduct)	Check for “compliance manual”	<p>(1) Has the insurance company formulated specific handbooks for compliance? (These handbooks should explain the laws and ordinances to be adhered to, and provide specific means of dealing with any illegal actions discovered. Referred to as the “compliance manual” hereinafter.)</p> <p>Does the board of directors approve the content of the compliance manual when it was formulated and does the board of directors approve all major revisions?</p> <p>(2) Does the compliance manual contain the matters listed in Section V of this checklist?</p> <p>Is the content of the compliance manual appropriate and specific, reflecting</p>	

Item	Compliance Check Point	Explanation of Compliance Check Points	Remarks
		<p>the social responsibilities and public duties of insurance companies as discussed in the “Code of Conduct” (Life Insurance Association of Japan; Marine & Fire Insurance Association of Japan) and other documents in the “Reference” materials above, and also reflecting the culture of the corporation? For example, has the insurance company formulated “compliance manuals” in accordance with the content of the duty of insurance agents?</p> <p>(3) Are all employee and insurance agents fully aware of the existence and content of the compliance manual?</p> <p>(4) Is the content of the compliance manual reviewed and revised as appropriate and necessary?</p> <p>(5) Are legal checks performed when basic policies and compliance standards are formulated and revised? Are legal checks performed when new activities are initiated or new products launched?</p>	
III. Establishment of checks to determine if compliance structures (systems) are functioning adequately	1. Check for “compliance program”	<p>1. Does the board of directors approve the content of specific programs for compliance (formulation of rules and regulations, internal control programs, employee and insurance agents training and the like, referred to as the “compliance program” hereinafter) and any major revision thereto?</p> <p>(1) Is the compliance program formulated at an appropriate timely and rationally? Is it formulated in yearly intervals at the longest?</p> <p>(2) Is there follow-up on the progresses and achievement of the compliance program?</p> <p>(3) Are the responsibilities of the division in charge of the compliance program clear? Do the representative directors and board of directors measure and evaluate programs and achievement?</p> <p>(4) In formulating the compliance program, does the insurance company take account of the size and nature of offices and does it fairly reflect implementation of the program in performance evaluations and personnel evaluations?</p>	

Item	Compliance Check Point	Explanation of Compliance Check Points	Remarks
	2. Check for “compliance environment”	<p>2. Is there a structure in place for centralized management of compliance and other legal affairs?</p> <p>(1) Have internal rules been formulated for systems to provide centralized management of compliance and other legal affairs?</p> <p>Does the insurance company have a division to unify compliance? Does it clearly articulate the authority and role of this division?</p> <p>Are compliance personnel stationed appropriately in each business division and office?</p> <p>Is a structure in place for dynamic response in the event that incidents occur?</p> <p>(2) Does the insurance company appropriately gather and manage legal information?</p> <p>Are there clearly articulated rules for communicating, reporting, and discussion, etc. between the compliance division and business divisions and offices? Are there similar rules between business offices and insurance agents?</p> <p>Are there ties and links between the compliance division and business division and offices? Are there ties and links between business offices and insurance agents? Is a structure in place for immediate reporting to the compliance division by compliance personnel in the event that problems are discovered?</p> <p>Do the competent directors have constant and accurate legal information?</p> <p>(3) Is the insurance company enhancing its compliance training structures?</p> <p>Are the representative directors and the competent directors, as lecturers actively involved in training?</p> <p>Does the insurance company provide compliance training, for example, rigorous training in the laws and ordinances to be complied with in specific areas of business? Does the insurance company provide compliance training suited to the class of business, including insurance agents?</p> <p>Does the insurance company encourage employees to acquire the minimum legal knowledge required for specific business areas?</p> <p>(4) Does the insurance company have a structure in place for dealing with incidents and complaints?</p> <p>Does the insurance company have a record of complaints, customer requests, and the like?</p> <p>Does the compliance division provide appropriate follow-up checking of complaints?</p> <p>Does the insurance company have a structure in place to confirm the facts regarding incidents, clarify the responsibilities of those involved, call to those involved accountable, and clarify supervisory responsibility for an incident? Are incidents investigated and analyzed by a division that is independent of the division in which the incident occurred? Does the insurance company inform the police and other relevant agencies, etc. in a timely manner of any facts that may violate criminal statutes?</p>	

Item	Compliance Check Point	Explanation of Compliance Check Points	Remarks
		<p>Are the directors and auditors involved in the formulation of programs to prevent the recurrence of incidents, etc? Do they endeavor to ensure the effectiveness of these programs?</p> <p>(5) Does the insurance company have a structure in place to disclose information in an appropriate manner fully in conformity with the purpose of information disclosure?</p> <p>Does the insurance company have a structure in place to disclose information in an appropriate manner fully in conformity with the purpose of the information disclosure set forth in the Insurance Business Law?</p> <p>Does the insurance company have a structure in place to disclose information in an appropriate manner fully in conformity with the purpose of the timely disclosure set forth in the Securities and Exchange Law?</p> <p>(6) Does the insurance company engage in appropriate personnel rotation so that specific employees are not engaged in the same jobs in the same divisions for prolonged periods of time?</p> <p>If specific employees must be engaged in the same jobs in the same divisions for prolonged periods of time, does the insurance company have other appropriate measures to prevent incidents from occurring?</p> <p>(7) Does the insurance company have programs in place to require employees (including manager and insurance agents) to stay away from their jobs for a minimum of one continuous week per a year for the purpose of preventing incidents? This might include continuous vacation, training, internal reassignment, or any combination thereof. It is desirable that this period be at least two weeks.</p> <p>If, in independent business units a program to require employees to stay away from their jobs cannot be adopted by unavoidable reasons, or if such a program is not effective in preventing incidents, does the insurance company have other effective measures to prevent incidents from occurring?</p>	
<p>IV. Sanctions (punishments) for compliance violations, enforcement of compliance rules</p>	<p>Check for “compliance review structure”</p>	<p>Does the insurance company have rules covering sanctions (punishments) for violations? Does it enforce these rules?</p> <p>(1) Should directors, etc. be discovered to be in violation of applicable laws and ordinances, are there mechanisms in place to enable the other directors, etc. to faithfully exercise the following authority as required by law, and to quickly make such response as is necessary to restore sound and proper operation?</p> <p>Directors</p> <p>a. Convene a meeting of the board of directors (Commercial Law Article 259)</p> <p>b. Report to the auditors (Commercial Law Article 274-2)</p> <p>Auditors</p> <p>a. Enjoin directors from committing illegal actions (Commercial Law Article 275-2)</p> <p>b. Convene a meeting of the board of directors (Commercial Law Article 260-3, Paragraph 3 and Paragraph 4)</p> <p>c. Report to the board of directors (Commercial Law Article 260-3)</p>	<p>Note: Laws referenced in (1) apply for mutual society company to Articles 51, 53, and 59 of the Insurance Business Law</p>

Item	Compliance Check Point	Explanation of Compliance Check Points	Remarks
		<p>Paragraph 2) d. Issue an opinion to the general meeting of stockholders (Commercial Law Article 275) e. Make notations in the auditors report (Commercial Law Article 281-3, Subparagraph 2:10)</p> <p>(2) Are directors aware of the mutual watching obligation they incur as members of the board of directors, and do they take such actions as are required to faithfully discharge this obligation?</p> <p>(3) Does the insurance company call to accountable directors, etc. and accounting auditors who have committed illegal actions?</p> <p>(4) Does the insurance company select for its auditors personnel who are able to exercise their authority independently?</p> <p>(5) Do auditors perform compliance audits?</p> <p>(6) Is there a structure in place to report to directors when illegal acts are discovered?</p> <p>(7) Does the insurance company have rules in place regarding sanctions (punishments)? Does it enforce its sanction (punishment) rules rigorously and fairly?</p> <p>(8) Does the insurance company assign independent compliance officers to confirm compliance in business divisions (including business offices, etc.) that incur risks above fixed volume?</p> <p>(9) Do compliance officers function adequately?</p> <p>(10) Are there effective ties between compliance divisions and others?</p>	
V. Laws and ordinances, etc. to be complied with by insurance companies and their managers	1. Outline of laws and regulations	<p>1. Laws and regulations regarding “insurance companies”</p> <p>(1) Laws</p> <ol style="list-style-type: none"> 1) Insurance Business Law 2) Law concerning Non-Life Insurance Rating Organizations 3) Automobile Liability Security Law 4) Law concerning Earthquake Insurance 5) Banking Law 6) Securities and Exchange Law 7) Law concerning Foreign Securities Brokers 8) Investment Trust Law 9) Investment Law 10) Money-lending Law 11) Investment Advisory Service Law 12) Mortgage-backed Securities Law 13) Commodities Fund Law 14) Real Estate Designated Cooperative Projects Law 15) Law concerning the Regulation of Businesses Involved in Specific Credits, Etc. 16) Law concerning Regulation of Pre-paid Certificates 17) Financial Futures Trading Law 18) Mutual Loan Association Law 19) Trusts Law 20) Building Lots and Buildings Transaction Business Law 21) Law concerning the Registration of Immovables 	

Item	Compliance Check Point	Explanation of Compliance Check Points	Remarks
		22) Building Standard Law 23) Law against Unjustifiable Premium and Misleading Representation 24) Unfair Access Prohibition Law (2) Government ordinances and regulations 2. Laws and ordinances related to joint-stock companies (1) Commercial Code Part 2 (2) Law concerning Special Exceptions to the Commercial Code 3. Laws and ordinances related to “economic order and market order” (1) Anti-monopoly Law (2) Unfair Competition Prevention Law (3) Securities and Exchange Law (4) Commodities Exchange Law (5) Financial Futures Trading Law (6) Consumer Protection Law 1) Consumer Protection Basic Law 2) Interest Rate Restriction Law 3) Investment Law 4) Money-lending Law 5) Installment Sales Law 6) Door-to-door Sales Law 7) Law concerning the Prevention of Pyramid Schemes 4. Laws and Regulations concerning “Financial Transactions” (1) Civil Code, Commercial Code, Bills Law, Checks Law (2) Special Malfeasance (Commercial Code Article 486 Paragraph 1), Fraud (Penal Code Article 246), Malfeasance (Penal Code Article 247), and Embezzlement (Penal Code Article 253) (3) Interest Rate Restriction Law (4) Investment Law (5) Anti-Organized Crime Law (6) Law concerning the Regulation of Improper Contracts Related to Deposits, Etc	<p>Note: In addition to laws and ordinances, the “Guidelines” describes the points that are aimed at and should be kept in mind in supervision. It is important to fully reflect this in the inspection of compliance system</p> <p>Note: The laws and ordinances, including the Insurance Business Law, that were referenced in “V.” are examples. Take note that similar provisions apply mutatis mutandis (including application or paraphrasing of different articles) to Japan branches and offices of foreign insurance companies.</p>

Item	Compliance Check Point	Explanation of Compliance Check Points	Remarks
	2. Outline of laws and ordinances related to “management”	1. Violations of ban on concurrent service by directors (Insurance Business Law Article 8 and Article 333) 2. Window dressing, illegal dividends (Insurance Business Law Article 15, Article 55, Article 58, and Article 324) 3. Article of association provision violation (Insurance Business Law Article 52 and Article 333, Commercial Code Article 263) 4. Violations of ban on other businesses (Insurance Business Law Article 100 and Article 333) 5. Violations of regulations on transactions with specific affiliated parties (subsidiaries, etc.) (Insurance Business Law Article 100-3) 6. Violations of limits on stock acquisition, etc. (Insurance Business Law Article 107 and Article 333, Anti-monopoly Law Article 11) 7. Misstatements, etc. in operating reports (Insurance Business Law Article 110 and Article 317) 8. Non-disclosure or false disclosure (Insurance Business Law Article 13, Article 59, Article 333, Article 111 and Article 317, Securities and Exchange Law Article 197 and Article 207) 9. Violations of reserve requirements (Insurance Business Law Article 116, Article 117 and Article 333) 10. Violations of requirement for reporting to supervisory authorities (Insurance Business Law Article 127, Article 128 and Article 333) 11. Evasion of inspection (Insurance Business Law Article 129 and Article 317) 12. Violation of business suspension orders (Insurance Business Law Article 132, Article 241 and Article 316) 13. Malfeasance by directors, etc. (Insurance Business Law Article 322, Commercial Code Article 486) 14. Borrow-and-deposit to disguise payment (Insurance Business Law Article 326, Commercial Code 491) 15. Capital increase rule violations (Commercial Code Article 280-2 and beyond) 16. Ban on relations with antisocial elements (providing benefits to “ <i>sokaiya</i> ”, Insurance Business Law Article 59 and Article 331, Commercial Code Article 294-2 and Article 497) 17. Notification of dubious transactions (Anti-Organized Crime Law Article 54) 18. Joint actions, collusion (Anti-monopoly Law Article 3) 19. Leakage of customer information, abuse of confidentiality (Penal Code Article 247 Judicial precedent)	

Item	Compliance Check Point	Explanation of Compliance Check Points	Remarks
	3. Outline of laws and ordinance related to “accounting”	1. Profit reserve requirement violation (Insurance Business Law Article 14 and Article 333) 2. Loss-compensation reserve requirements; Use of reserves for other than the purpose (Insurance Business Law Article 54, Article 57 and Article 333) 3. Fund depreciation reserve requirement; Use of reserves for other than the purpose (Insurance Business Law Article 56, Article 57 and Article 333) 4. Lack of reasonable accounting by characteristic of products; Violations of distribution exceeding surplus standard (Insurance Business Law Article 58 and Article 114) 5. Violations of reserving stock revaluation profits (Insurance Business Law Article 112 and Article 333) 6. Violations of reserve requirement on price fluctuations (Insurance Business Law Article 115 and Article 333) 7. Special account transfer violations (Insurance Business Law Article 118 and Article 333)	Note: The “4” lists matters related to insurance brokers for reference.
	4. Outline of laws and ordinances related to “underwriting”	1. Explanation of important matters to policyholders (Insurance Business Law Article 100-2 and Article 300) 2. Violations of location of insurance contracts and restriction on things covered by insurance (foreigner insurers) (Insurance Business Law Article 186, Article 186 and Article 316) 3. Violations of ban on unregistered or unqualified underwriting of insurance (Insurance Business Law Article 275 and Article 317) 4. Falsified application for registration; Registration statement violations (insurance agents, non-life insurance agents) (Insurance Business Law Article 279, Article 280 and Article 337) 5. Underwriting on consignment from other companies (insurance agents) (Insurance Business Law Article 282) 6. Liability of one's company (insurance agents, non-life insurance agents) (Insurance Business Law Article 283) 7. Original register provision violation (insurance agents, non-life insurance agents) (Insurance Business Law Article 285) 8. Violation of ban on self-contract (non-life insurance agents, insurance brokers) (Insurance Business Law Article 295) 9. Violations of good faith obligations (insurance brokers) (Insurance Business Law Article 299) 10. Violations of prohibited acts concerning contract conclusion and underwriting (Insurance Business Law Article 300, Article 307 and Article 317-2) 11. Violations of prohibited acts on underwriting of insurance of subsidiaries (Insurance Business Law Article 301) 12. Reporting violations by directors or employees (non-life insurance agents, insurance brokers) (Insurance Business Law Article 302) 13. Violations of provisions of books and records (insurance brokers) (Insurance Business Law Article 302 and Article 320) 14. Violation in submission of business reports; misstatement (insurance brokers) (Insurance Business Law Article 304 and Article 320)	

Item	Compliance Check Point	Explanation of Compliance Check Points	Remarks
		15. Evasion of inspection (insurance agents, non-life insurance agents, insurance brokers) (Insurance Business Law Article 305 and Article 320) 16. Violations of business improvement orders (insurance agents, non-life insurance agents, insurance brokers) (Insurance Business Law Article 306 and Article 320) 17. Violations in refunding money on cancellation of applications for insurance contracts (Insurance Business Law Article 309) 18. Money laundering (Notification of dubious transactions – Anti-Organized Crime Law Article 54, Concealment and receipt of illicit profits, etc. – Anti-Organized Crime Law Article 10 and Article 11) 19. Misappropriation, etc. of insurance premiums, etc. (Fraud – Penal Code Article 246 and Article 246-2, Malfeasance – Article 247, Embezzlement – Article 252 and Article 253)	
	5. Outline of laws and ordinances related to “asset management”	1. Violations of asset management methods, etc. (Insurance Business Law Article 97) 2. Violations of restrictions on large-lot lending (including lending for the purpose of circumvention) (Insurance Business Law Article 97-2) 3. Lending for illegal uses (1) Prostitution Prohibition Law Article 13 and beyond (2) Accessory if involved in any way with criminal activities (Penal Code Article 60 and Article 62) (3) Violations of public morals (Civil Code Article 90) 4. Lending in violation of authorization rules (1) Divided lending (loans to the same party but divided up into different names and formally loaned to different people in order to circumvent legal and internal restrictions) (2) Approval violations (loans made in violations of condition on approval) (3) Failure to seek approval (loans made without seeking approval even though approval is required) 5. Loans to directors (Commercial Code Article 265, Insurance Business Law Article 51) Requires decision by the board of directors 6. Violations of interest-rate restrictions (Interest Rate Restriction Law, etc.) 7. Off-record lending (Investment Law Article 3 and Article 8, Penal Code Article 253, Commercial Code Article 486) 8. Favoritism in lending (Commercial Code Article 486) 9. Asset management by using insider information (Securities and Exchange Law Articles 163 to 167)	

Item	Compliance Check Point	Explanation of Compliance Check Points	Remarks
	6. Outline of laws and ordinances related to “ancillary businesses” ? Insurance proxy business; clerical work service ? Securities business ? Over-the-counter investment trust sales business	1. Insurance proxy business for other insurance companies; clerical work service (Insurance Business Law Article 98) 2. Securities business (1) Ban on improper solicitation (discretionary trading accounts, etc.) (Securities and Exchange Law Article 42) (2) Ban on loss compensation (Securities and Exchange Law Article 42-2) (3) Ban on fraudulent acts (Securities and Exchange Law Article 157, Article 158 and Articles 168 to 171) (4) Ban on market manipulation (Securities and Exchange Law Article 159, etc.) (5) Ban on insider trading (Securities and Exchange Law Articles 163 to 167)	