

Rules Concerning Disciplinary Actions, etc.

(Purpose)

Article 1.

The purpose of these Rules is to prescribe matters that are necessary in relation to the disciplinary actions and other measures, etc. against Regular Members and Electronic Public Offering Members provided for in Article 23 and Article 24 of the Articles of Incorporation.

(Investigation, etc.)

Article 2.

When the Association received a notification or report from any Regular Member or Electronic Public Offering Member pursuant to the provisions of Article 15 or Paragraph 1 of Article 16 of the Articles of Incorporation, the Association shall perform investigation, as prescribed in Operational Rules, on the matters that are so notified or reported, as necessary in consideration of the situation of compliance by the relevant Regular Member or Electronic Public Offering Member with laws and regulations, orders issued under laws and regulations, dispositions thereunder, the Articles of Incorporation and other rules, and with the fair and equitable principles of transactions, as well as in consideration of the conditions of the business and assets of such member.

(Submission of Case to Discipline Committee)

Article 3.

1. If, as a result of the investigation provided for in the preceding Article, the Association deems appropriate to impose any of the disciplinary actions prescribed in Paragraph 2 of Article 23 of the Articles of Incorporation (hereinafter referred to as “Disciplinary Action”) or issue the admonition prescribed in Article 24 of the Articles of Incorporation against the relevant Regular Member or Electronic Public Offering Member, the Association may submit the case in which such Disciplinary Action or admonition is deemed appropriate to Discipline Committee by attaching thereto the result of the investigation performed pursuant to the provision of the preceding Article, and seek its opinion on the case.
2. Necessary matters concerning the composition, operation, etc. of Discipline Committee shall be prescribed in Discipline Committee Rules.

(Deliberation, etc. by Discipline Committee)

Article 4.

1. Discipline Committee shall deliberate on Disciplinary Action or admonition (including the type and the extent of Disciplinary Action if it is a case where imposition of Disciplinary Action is deemed appropriate, and including its contents if it is a case where issuance of admonition is deemed appropriate; the same shall apply hereinafter) against Regular Member or Electronic Public Offering Member in respect of the case submitted under the preceding Article, the case reported pursuant to Paragraph 2 of Article 9 of Inspection Rules, or any other case which is deemed necessary by Discipline Committee.
2. In order to execute the deliberation provided for in the preceding Paragraph, Discipline Committee may order Secretariat, as necessary, to perform relevant investigation and report the result of such investigation.
3. If Discipline Committee deems necessary for its deliberation, it may request the presence of the Regular Member or Electronic Public Offering Member which is concerned with the relevant case and ask such member questions, or request such member to submit information materials.
4. If Discipline Committee has determined, as a result of the deliberation under the provision of Paragraph 1, that it is appropriate to subject the relevant Regular Member or Electronic Public Offering Member to Disciplinary Action or admonition, it shall submit, to the Council for deliberation, its reason, the fact which is the subject of the relevant Disciplinary Action, and its type and extent, if the case is for Disciplinary Action, or its reason and the fact which is the subject of the relevant admonition, if the case is for admonition.

(Warning)

Article 5.

In addition to Disciplinary Action and admonition, the Association may issue warning (hereinafter referred to as “Warning”) either verbally or in writing in accordance with the substance of the case.

(Request for Business Operation Improvement Plan, etc.)

Article 6.

In the event the Association has imposed Disciplinary Action or issued admonition against Regular Member or Electronic Public Offering Member, the Association may request the relevant Regular Member or Electronic Public Offering Member to prepare business operation improvement plan and to report on the status of implementation of the measures pursuant to such business operation improvement plan and on any other matters that are deemed necessary.

(Proceeding for Presenting Explanation)

Article 7.

1. When the Association is to submit a matter concerning Disciplinary Action or admonition against Regular Member or Electronic Public Offering Member to the Council for deliberation, the Association should provide the relevant Regular Member or Electronic Public Offering Member with opportunity to present explanation in advance.
2. For providing the opportunity to present explanation being referred to in the preceding Paragraph, the Association shall notify the relevant Regular Member or Electronic Public Offering Member of the fact which is the subject of Disciplinary Action or admonition as well as the date and time and the place for presenting explanation by two weeks in advance.
3. If the Association cannot confirm, on the day on which 14 days have elapsed since the date on which the notice was issued under the preceding Paragraph, that the notice has arrived at the relevant Regular Member or Electronic Public Offering Member, the notice shall be deemed to have arrived at the relevant Regular Member or Electronic Public Offering Member upon the day on which the said 14 days have elapsed.
4. For presenting its explanation, the relevant Regular Member or Electronic Public Offering Member may submit a written explanation by the deadline designated by the Association, and may orally state facts and opinions and submit documentary evidence and articles of evidence when presenting explanation.
5. When presenting its explanation, the relevant Regular Member or Electronic Public Offering Member may have its assistant attend the proceeding by procuring the chairperson's permission.
6. If the relevant Regular Member or Electronic Public Offering Member failed to appear without appropriate reason, the Association may conclude the proceeding without providing another opportunity for presenting explanation.

(Chairpersonship of Proceeding for Presenting Explanation)

Article 8.

Proceeding for presenting explanation shall be presided over by the officer or employee of the Association appointed by the Association; provided, however, that a person who was deemed by the Association to have special interest in the Regular Member or Electronic Public Offering Member which is going to present explanation cannot preside over the proceeding for presenting explanation.

(Deliberation, etc. by the Council)

Article 9.

1. The Council shall deliberate on the result of the deliberation submitted by Discipline Committee pursuant to Paragraph 4 of Article 4.

2. In resolving on the matter, the Council shall respect the result of the deliberation by Discipline Committee.

(Submission of Case to General Meeting of Members)

Article 10.

1. In the event the Council has determined, as a result of the resolution adopted pursuant to the preceding Article, that it is appropriate to expel Regular Member or Electronic Public Offering Member, the Council shall submit the case concerning expulsion of the relevant Regular Member or Electronic Public Offering Member to General Meeting of Members for deliberation.
2. Provisions of Article 7 (except for Paragraph 4) shall be applied mutatis mutandis to the submission of the case concerning expulsion of Regular Member or Electronic Public Offering Member to General Meeting of Members under the preceding Paragraph. In such case, the term “in advance” in Paragraph 1 of the said Article shall be deemed to be replaced with “at the relevant General Meeting of Members,” the term “2 weeks” in Paragraph 2 of the said Article with “one week,” the term “14 days” in Paragraph 3 of the said Article with “7 days,” and the term “conclude the proceeding” in Paragraph 6 of the said Article with “resolve on the matter.”

(Notice of Disciplinary Action, etc.)

Article 11.

1. In the event the Council has adopted resolution for Disciplinary Action (except for expulsion) or admonition against Regular Member or Electronic Public Offering Member, the Association shall notify in writing the relevant Regular Member or Electronic Public Offering Member of its reason, the fact which is the subject of the relevant Disciplinary Action, and its type and extent, if the case is for Disciplinary Action, or its reason, the fact which is the subject of the relevant admonition, and any other matters that are deemed necessary by the Association, if the case is for admonition.
2. In the event General Meeting of Members has adopted resolution for expulsion of Regular Member or Electronic Public Offering Member, the Association shall notify in writing the relevant Regular Member or Electronic Public Offering Member of the fact which is the subject of the Disciplinary Action, its reason, and any other matters that are deemed necessary by the Association.

(Publication of Disciplinary Action)

Article 12.

1. When the Association imposed Disciplinary Action on Regular Member or Electronic Public Offering Member, the Association shall notify each Regular Member and Electronic Public Offering Member of such fact.

2. When the Association made the notification under the preceding Paragraph, it shall publish such notice.

Supplementary Provisions (May 20, 2011)

These Rules shall become effective from the date on which the Association is certified by the Prime Minister as Financial Instruments Firms Association provided for in Article 78, Paragraph 1 of FIEA (June 30, 2011).

Supplementary Provisions (May 26, 2015)

This amendment shall become effective from the date (May 29, 2015) provided for in the main text of Article 1 of the Supplementary Provisions of the Act for Amendment of the Financial Instruments and Exchange Act (2014, Act No. 44).

(Note) Amended provisions are as follows:

The title of the Rules; Article 1; Article 2; Paragraph 1 of Article 3;
Paragraphs 1, 3 and 4 of Article 4; Article 6; Paragraphs 1 through 6 of
Article 7; Article 8; Paragraphs 1 and 2 of Article 10; Paragraphs 1 and 2 of
Article 11; and Paragraph 1 of Article 12.

<p>This translation is solely for the convenience of those interested therein, and accordingly all questions that may arise with regard to the meaning of the words or expressions herein shall be dealt with in accordance with the original Japanese text.</p>
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