

Rules on Disposition of Members

March 28, 2012

Resolution of the Board of Directors

Partially amended on March 27, 2013
Partially amended on September 25, 2013
Partially amended on January 28, 2015
Partially amended on January 27, 2021

(Purpose)

Article 1 The purpose of these Rules is to set forth the necessary matters concerning the disposition, etc. of members prescribed in Article 14 of the Articles of Incorporation.

(Consultation on Necessity of Investigation)

Article 2 (1) If the Chairman acknowledges, or is notified by a member, of a case that is considered to fall under one of the items of Article 14, paragraph (1) of the Articles of Incorporation, the Chairman may consult the Discipline Committee on whether an investigation is needed.

(2) The cases of undermining the Association's order or trust provided in Article 14, paragraph (1), item (v) of the Articles of Incorporation means cases in which a member (including its officers in the case of a corporation) falls under one of the following items:

- (i) the member has been arrested as a suspect, or prosecuted as a defendant, in a criminal case (excluding minor offences);
- (ii) the member has been investigated and accused in a criminal case relating to tax payment;
- (iii) the member has lost its business credibility upon receiving a disposition such as suspension of banking transactions;
- (iv) the member has an officer or employee with qualities unfit for the operation of the business in light of that his/her career, relationship with an organized crime group prescribed in Article 2, item (ii) of the Act on Prevention of Unjust Acts by Organized Crime Group Members or relationship with an organized crime group member prescribed in item (vi) of that Article, or any other circumstances; or
- (v) the Chairman finds that the member has engaged in an extremely inappropriate act, based on grounds similar to those specified in the items above.

(Clarification of Cases)

Article 3 (1) If the Discipline Committee finds it necessary to conduct an investigation pursuant to the provisions of the preceding Article and reports to the Chairman to that effect, the Chairman shall let the Association's Secretariat clarify the case by means such as requesting the relevant

member to submit documents or provide a written or oral explanation.

- (2) Upon request for submission of documents or provision of a written or oral explanation referred to in the preceding paragraph, the member must not refuse the request without legitimate grounds.

(Results Reporting and Opinions on Dispositions)

Article 4 The Chairman may request the Discipline Committee to report on the results of clarification under the preceding Article and, if the Chairman finds it to be necessary, provide opinions on a disposition or the like.

(Opportunity to Explain)

Article 5 (1) If the Chairman intends to submit a case of disposition of a member to the Board of Directors, the Chairman shall give that member an opportunity to explain.

- (2) When giving an opportunity to explain referred to in the preceding paragraph, the Chairman shall notify the relevant member for disposition of the fact that the member has become a subject to a disposition and the date and time, and the place for giving the explanation no later than one week before the date of explanation using Appended Form 1.
- (3) The organizer of the opportunity to explain is an officer or employee designated by the Chairman.
- (4) When providing an explanation, the member may, in addition to submitting a written explanation, orally state its opinion and assert facts to its advantage, or submit documentary evidence or articles of evidence, by a designated due date.
- (5) If the member that has been given the opportunity to explain does not appear without legitimate grounds, the case may be closed without giving another opportunity to explain.

(Submitting a Case to the Board of Directors)

Article 6 If the Chairman finds that a disposition against a member is necessary, the Chairman shall indicate the type and severity of the disposition, as well as the fact subject to the disposition and reasons therefor and submit it to the Board of Directors.

(Types and Severity of Disposition)

Article 7 (1) The types and severity of disposition are as follows:

a surcharge of not more than 50 million yen;
membership suspension for not more than six months; and
expulsion.

- (2) The calculation of the amount of surcharge and the period of membership suspension is specified in Appendix “Standards for Calculation of the Amount of Surcharge and the Period

of Membership Suspension.”

- (3) The payment due date of a surcharge is the day on which two months passes from the date of issuing the notice of disposition of a member pursuant to Article 11.
- (4) Even in the case of receiving a disposition of membership suspension, the member must perform its obligations as a member.
- (5) An application for readmission from a member that has received a disposition of expulsion will not be accepted until one year passes from the date of expulsion.

(Expulsion)

- Article 8** (1) In the case of proposing the expulsion of a member pursuant to paragraph (1) of the preceding Article at a meeting of the General Assembly after a resolution on it has been adopted by the Board of Directors, the member is to be notified in writing no later than one week before the date of the meeting and to be given an opportunity to explain at the meeting.
- (2) In the case of the preceding paragraph, if the member does not attend the meeting of the General Assembly without legitimate grounds, a resolution may be adopted without giving another opportunity for it.
 - (3) If a resolution to approve the expulsion is adopted by the General Assembly, the Chairman shall notify the member expelled of that effect.

(Note)

- Article 9** The Chairman may, in addition to the disposition pursuant to Article 7, paragraph (1), give an oral or written warning according to the details of the case.

(Recommendation of Business Improvement)

- Article 10** (1) In the case of giving a disposition pursuant to Article 7, paragraph (1) (excluding expulsion) or a warning prescribed in the preceding Article, or if the Chairman finds it to be otherwise necessary, the Chairman may recommend business improvement and the like.
- (2) In the case of giving the recommendation pursuant to the preceding paragraph, the Chairman may request the relevant member to report on preparation of a business improvement plan and actions taken under that plan.

(Notice of Disposition)

- Article 11** The Chairman shall notify the relevant member of the type and severity of the disposition as well as the fact subject to the disposition and reasons therefor using Appended Form 2, and the disposition will become effective upon arrival of the notice.

(Reporting Processing Results to the Discipline Committee)

Article 12 The Chairman shall report to the Discipline Committee on the results of processing the opinions of the Disciplinary Committee provided in Article 4.

(Dissemination of Disposition)

Article 13 In the case of membership suspension or expulsion, the Chairman shall disseminate the disposition by such means as posting on the Association's membership directory, public relations magazines, or website.

(Detailed Rules)

Article 14 The Chairman may, in addition to what is provided in these Rules, separately establish detailed rules if it is necessary for dispositions, etc. of members.

Supplementary Provisions (March 28, 2012)

These Rules come into effect as of the registration date of incorporation of the general incorporated association (July 2, 2012) provided in Article 106, paragraph (1) of the Act on Arrangement of Relevant Acts Incidental to Enforcement of the Act on General Incorporated Associations and General Incorporated Foundations and the Act on Authorization of Public Interest Incorporated Associations and Public Interest Incorporated Foundations, as applied mutatis mutandis pursuant to Article 121, paragraph (1) of that Act following the deemed replacement of terms.

Supplementary Provisions (March 27, 2013)

This amendment comes into effect as of April 1, 2013;
provided, however, that the current provisions apply to cases on which administrative dispositions by financial regulators have been made public before the enforcement date.

Note:

Amendments made are as follows:

1. Appendix "Standards for Calculation of the Amount of Surcharge" are amended.

Supplementary Provisions (September 25, 2013)

This amendment comes into effect as of September 25, 2013;

provided, however, that the current provisions apply to cases on which administrative dispositions by financial regulators have been made public before the enforcement date.

Note:

Amendments made are as follows:

1. Appendix “Standards for Calculation of the Amount of Surcharge” are amended.

Supplementary Provisions (January 28, 2015)

This amendment comes into effect as of January 28, 2015;

provided, however, that the current provisions apply to cases on which administrative dispositions by financial regulators have been made public before the enforcement date.

Note:

Amendments made are as follows:

1. Articles 7 and 13, and Appendix “Standards for Calculation of the Amount of Surcharge” are amended.

Supplementary Provisions (January 27, 2021)

This amendment comes into effect as of January 27, 2021.

Note:

Amended provisions are as follows:

- (1) Revise Appended Form 1 and 2.

(Appended Form 1)

Date:

Membership no.:

○○○○

_____ Investment Advisory Co., Ltd.

To: _____, Representative Director

Japan Investment Advisers Association
Chairman

Notice of an Opportunity to Explain

Pursuant to the provisions of Article 14 of the Articles of Incorporation, we hereby give an opportunity to explain as stated below.

Please note that, if you fail to attend without legitimate grounds, the case will be closed without giving of another opportunity to explain.

Details

1 Fact subject to disposition

2 Date and time and place of the opportunity to explain

MM/DD/YYYY at _____ a.m./p.m.
Tokyo Shoken Kaikan, 1-5-8, Nihombashi-Kayabacho, Chuo-Ku, Tokyo, Japan
Japan Investment Advisers Association

3 Organizer of the opportunity to explain
Japan Investment Advisers Association

4 Preparations for the opportunity to explain
(1) Written explanation (to be submitted by (MM/DD/YYYY))
(2) Documentary evidence or articles of evidence for asserting facts to your advantage (Bring them with you on the date of the opportunity to explain.)

(Note: The size of paper must be Japanese Industrial Standards A4)

(Appended Form 2)

Date:

Membership no.:

_____ Investment Advisory Co., Ltd.

To: XX, Representative Director

Japan Investment Advisers Association
Chairman

Notice of Disposition of Member

We hereby notify a disposition of your company, which has been decided by resolution of the Board of Directors pursuant to the provisions of Article 14 of the Articles of Incorporation, as follows:

Details

- 1 Date of decision on the disposition
- 2 Type and severity of the disposition
- 3 Fact subject to the disposition
- 4 Reasons for the disposition

(Note: The size of paper must be Japanese Industrial Standards A4.)

Appendix Standards for Calculation of the Amount of Surcharge and the Period of Membership Suspension

1 Standards for Calculation of the Amount of Surcharge

- (1) The amount of surcharge is calculated based on the standard amounts specified in the table below according to the type of the law violation, etc., in consideration of factors, etc. specified in (2) below. In case of multiple types of law violation, etc., the amount will be determined by totaling them.
- (2) Adjustments in applying base amounts
 - a. A repeat offence may be subject to up to double the base amount.
 - b. A malicious case may be subject to up to double the base amount.
 - c. The base amount may be reduced in consideration of the circumstances leading to the law violation, etc., the severity of act, and the like.
 - d. If an act of law violation, etc. is found to have undermined the Association's order or trust (Article 14, paragraph (1), item (v) of the Articles of Incorporation), the amount may be calculated to the extent not exceeding the maximum amount of 50 million yen, taking into account the level of maliciousness of law violation, etc.

Types of law violation, etc.	Base amount
Violation of Financial Instruments and Exchange Act	Million yen
[Article 197-2 Imprisonment for not more than five years or a fine of not more than five million yen]	
1 Engaging in financial instruments business in violation of the provisions of Article 29 (Article 29)	500
2 Obtaining financial instruments business registration by wrongful means (Article 29)	500
3 Allowing another person to engage in investment advisory and agency business or investment management business using the member's name (Article 36-3)	500
[Article 197-3 Imprisonment for not more than five years or a fine of not more than five million yen]	
1 Using fraudulent means, committing assault, or using intimidation in connection with the conclusion or cancellation of a discretionary investment contract (Article 38-2, item (i))	500
[Article 198 Imprisonment for not more than three years or a fine of not more than three million yen]	
1 Obtaining registration of a change to financial instruments business by wrongful means (Article 31, paragraph (4))	300
2 Providing a customer with false information in connection with the conclusion of a financial instruments transaction contract (limited to those related to investment management business) or in connection with the solicitation thereof (Article 38, item (i))	300
3 In violation of the provisions of Article 42-7, paragraph (1), failing to deliver a report or delivering a report that does not contain particulars specified in that paragraph or contains a false statement, or providing something that lacks those particulars or something that contains false particulars by means of an electronic data processing system, etc. prescribed in Article 34-2, paragraph (4) as applied mutatis mutandis pursuant to Article 42-7, paragraph (2)	300
4 Violating an order by the court pursuant to Article 192, paragraph (1) or (2)	300
[Article 198-3 Imprisonment for not more than three years or a fine of not more than three million yen]	
1 Using fraudulent means, committing assault, or using intimidation in connection with the	300

	conclusion or cancellation of an investment advisory contract (Article 38-2, item (i)).	
2	Promising a customer, at the time of solicitation, that any loss that may arise will be compensated in whole or in part (Article 38-2, item (ii))	300
3	Giving advice or making an investment regarding a particular financial instrument, financial indicator, or option for which there is no justifiable basis, with the aim of using fluctuations in the price, indicator, figure, or amount receivable based on a customer's transaction, to benefit the member itself or a third party other than that customer (Article 41-2, item (ii); Article 42-2, item (iii))	300
4	Providing an economic benefit to a customer or a third party or having a third party provide an economic benefit to a customer, in order to cover the whole or part of a loss incurred by the customer due to a transaction, or in order to add to the profit that a customer has accrued (Article 41-2, item (v); Article 42-2, item (vi))	300
5	Making an investment that involves a transaction being conducted with the member or a director or executive officer thereof (excluding acts specified in Article 128 of the Cabinet Office Order on Financial Instruments Business, etc. (hereinafter referred to as the "FIB Cabinet Office Order")) (Article 42-2, item (i))	300
[Article 198-5 Imprisonment for not more than two years or a fine of not more than three million yen]		
1	Violating separate management prescribed in Article 132 of the FIB Cabinet Office Order, in connection with investment management business (limited to the business of performing the act specified in Article 2, paragraph (8), item (xv)) (Article 42-4)	200
2	Violating a business suspension order under the provisions of Article 52, paragraph (1) on supervisory measures for financial instruments business operators (Article 52, paragraph (1))	200
[Article 198-6 Imprisonment for not more than one year or a fine of not more than three million yen]		
1	Providing a customer with false information in connection with the conclusion of a financial instruments transaction contract (excluding those related to investment management business) or in connection with the solicitation thereof (Article 38, item (i))	150
2	Failing to prepare and archive business books and documents, etc., or preparing false documents (Article 46-2, Article 47, Article 188)	150
3	Failing to submit a business report, or submitting a business report that contains a false statement (Article 46-3, paragraph (1); Article 47-2; Article 48-2, paragraph (1))	150
4	Failing to make available for public inspection the documents specified as those that must be made available for public inspection, such as business reports (Article 46-4, Article 47-3), or making available for public inspection a document such as a business report that contains a false statement	150
5	Upon falling under any of the following particulars, failing to notify to that effect within 30 days from the that day in question, or making a false notification (main sentence of Article 50-2, paragraph (1))	
	(1) Discontinuing investment management business or Investment advisory and agency business (item (ii))	150
	(2) Disappearing in a merger (item (iii))	150
	(3) A member that is a corporation having the whole or part of its business succeeded to in a company split (item (vi))	150
	(4) Transferring the whole or part of the member's business (item (vii))	150
6	Upon having all or part of the member's business succeeded to in a company split, failing to make a public notice or making a false public notice of it (Article 50-2, paragraph (vi))	150
7	At the time of collection of reports and inspection, failing to make a report or submit documents, or making a false report or submitting a false document, or refusing, hindering, or evading an inspection (Article 56-2, paragraph (1))	150
8	Failing to make a report pursuant to Article 188 or making a false report	150
[Article 201 Imprisonment for not more than one year or a fine of not more than one million yen]		
1	Performing purchase and sales of securities or other acts set forth in Article 2, paragraph (8), items (i) through (iv), in connection with the investment advisory business, with a customer as the other party or on behalf of a customer (Article 41-3)	100
2	Receiving a deposit of money or securities from a customer, or having a customer's money or	100

securities deposited (Article 41-4, Article 42-5)	
3 Lending money or securities to a customer or perform intermediation, brokerage, or agency for a third party's lending of money or securities to a customer; provided, however, that this excludes money lending incidental to margin transactions provided in Article 156-24, paragraph (1) and other cases specified by Article 16-11 or Article 16-13 of the Order for Enforcement of the Financial Instruments and Exchange Act (hereinafter referred to as the "FIEA Enforcement Order") (Article 41-5, Article 42-6)	100
4 Conducting services other than investment management business and services specified in items of Article 35, paragraphs (1) and (2), without obtaining approval (Article 35, paragraph 4)	100
[Article 205 Imprisonment for not more than six months or a fine of not more than 500 thousand yen]	
1 At the time of advertising, etc., failing to give the following particulars or making a false representation (Article 37, paragraph (1)):	
(1) Trade name or name (item (i))	50
(2) An indication of being a financial instruments business operator, etc., and its registration number (item (ii))	50
(3) Particulars of the contents of business specified as material particulars that may have an impact on customers' judgment by Article 16 of the FIEA Enforcement Order and by Articles 74 through 77 of the FIB Cabinet Office Order (item (iii))	50
2 When advertising, making a representation that significantly conflicts with the fact or that could cause a person to have a serious misconception about the prospect of profiting or about any other matter specified by Article 78 of the FIB Cabinet Office Order (Article 37, paragraph (2))	50
3 Prior to concluding a contract (Article 37-3, paragraph (1)) or upon concluding a contract (Article 37-4, paragraph (1)), failing to deliver a document or delivering a document that does not contain particulars specified in those provisions or contains a false statement, or providing something that lacks those particulars or something that contains false particulars by means of an electronic data processing system, etc. prescribed in Article 34-2, paragraph (4)	50
4 An investment management business operator (limited to business of engaging in acts set forth in Article 2, paragraph (8), item (xv)) that has prepared an investment report fails to notify the Prime Minister of this without delay or makes a false notification; provided, however, that this excludes cases in which the number of rights holders to a set of invested assets is 499 or less and the cases specified in Article 135 of the FIB Cabinet Office Order. (Article 42-7, paragraph (3))	50
[Article 205-2-3 A fine of not more than 300 thousand yen]	
1 Failing to make a notification, or making a false notification, of a change to a registered particular (Article 31, paragraph (1) or (3)) or suspension or resumption of business (Article 50, paragraph (1), item (i))	30
2 Failing to make a notification under the provisions on a merger, succession to business in a company split, or a change of shareholders (Article 50, paragraph (1), items (iii) through (viii)), or making a false notification	30
3 Failing to post a sign (Article 36-2, paragraph (1))	30
[Article 208 A civil fine of not more than 300 thousand yen]	
1 Violating a business improvement order (Article 51, Article 51-2)	30
[Other]	
1 Violating the duty of loyalty (Article 41, paragraph (1); Article 42, paragraph (1), item (i) or (iii))	200
2 Violating the duty of due care of a prudent manager (Article 41, paragraph (2); Article 42, paragraph (2))	200
3 Receiving a business improvement order under Article 51 (falling under the case of "finding it to be necessary and appropriate in the public interest or for the protection of investors," which is a requirement for issuing an order to take measures that are necessary for improving its business operations or the state of its assets)	50
4 Other acts in violation of a law or a regulation	50
[Exemptions]	
1 The following provisions do not apply if the subject is a professional investor (Article 45):	

(1) Provision 3 pertaining to Article 198; (2) Provisions 2 and 3 pertaining to Article 201; and (3) All provisions pertaining to Article 205.	
Violation of Articles of Incorporation	
1 Failing to respond to a request for document submission or provision of an explanation based on a resolution of the Board of Directors, or submitting a false document or providing a false explanation	200
2 Violating the Articles of Incorporation or rules, or a resolution of the General Assembly or the Board of Directors	100

2 Standards for Calculation of the Period of Membership Suspension

(1) The standards for calculation of the period of membership suspension upon a business suspension order for a certain period are as follows.

Business suspension of not more than one month	Membership suspension of not less than 10 days but not more than one month
Business suspension of not more than two months	Membership suspension of not less than 20 days but not more than two months
Business suspension of not more than three months	Membership suspension of not less than one month but not more than three months
Business suspension of not more than four months	Membership suspension of not less than 40 days but not more than four months
Business suspension of not more than five months	Membership suspension of not less than 50 days but not more than five months
Business suspension of not more than six months	Membership suspension of not less than two months but not more than six months

(2) Adjustments in applying the calculation standards

- a. A repeat offence may be subject to membership suspension of not more than six months regardless of the period of business suspension.
- b. A malicious case may be subject to membership suspension of not more than six months regardless of the period of business suspension.