

MEASURES BY THE GOVERNMENT OF JAPAN  
AND THE GOVERNMENT OF THE UNITED STATES  
REGARDING FINANCIAL SERVICES

February 13, 1995  
Washington, D.C.

As a result of consultations under the Joint Statement on the Japan-United States Framework for a New Economic Partnership regarding measures in the financial services sector, the Government of Japan and the Government of the United States each has decided to implement the measures on financial services described herein.

/s/

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/s/

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## I. STATEMENT OF BASIC OBJECTIVES

- (1) The goals of the Framework are to deal with structural and sectoral issues in order to substantially increase access and sales of competitive foreign goods and services through market opening and macroeconomic measures; to increase investment; to promote international competitiveness; and to enhance bilateral economic cooperation between the United States and Japan.
- (2) To accomplish these goals with respect to the financial services sector, this document, "Measures by the Government of Japan and the Government of the United States Regarding Financial Services" (the "Measures") has been adopted. It addresses reform of relevant government laws, regulations, and guidance which have the effect of substantially impeding market access for competitive foreign financial services suppliers with the aim of significantly improving market access for competitive foreign financial services suppliers.
- (3) The objectives of the Measures are:
  - a. to increase substantially access to financial markets for competitive foreign financial services suppliers;
  - b. to promote the development of more liquid and efficient financial markets that are more fully integrated with global financial markets;
  - c. to enhance transparency and procedural protection in the regulation of financial activity;
  - d. to ensure the safety and soundness of the financial system and the integrity of financial markets; and,
  - e. to provide a mechanism for ongoing consultation and review to assess the implementation of the Measures, to resolve problems affecting foreign financial services suppliers in each market, and to promote further progress toward the objectives of the Measures.
- (4) Both Governments recognize the importance of prudential regulation in the financial services sector and of addressing such prudential concerns in a fair and transparent manner.
- (5) Each Government reaffirms its commitment to the principles of national treatment and most-favored-nation treatment with respect to banking, securities and other financial services covered by the Measures. Each Government reaffirms the importance of these principles for commitments, in accordance with paragraph 2 of the Second Annex on Financial Services of the General Agreement on Trade in Services ("GATS"), by all GATS members. Each Government confirms its commitment to accord financial services suppliers from the other Government's country most-favored-nation treatment, market access and national treatment in banking, securities and other financial services covered by the Measures, including with respect to the expansion of existing operations, establishment of a new commercial presence,

and the conduct of new activities,<sup>1</sup> provided that the Measures are being implemented by the other Government in accordance with the specific commitments described in the Measures.

## II. TRANSPARENCY AND PROCEDURAL PROTECTIONS

- (1) The Governments confirm that fair and transparent regulations and policies governing the activities of financial services suppliers are important in facilitating both the access of foreign financial services suppliers to, and their operations in, domestic markets. Both Governments reiterate their commitments to continuing to promote transparency in financial services.
- (2) Regulatory Administration and Enforcement
  - a. The Government of the United States welcomes the progress that the Government of Japan has made in improving transparency through the implementation of the Administrative Procedures Law (the "APL").
  - b. The APL seeks to ensure fairness and enhance the transparency of administrative operations by establishing common procedures for dispositions, administrative guidance, and the processing of filings, thereby contributing to the protection of the rights and welfare of citizens.
  - c. The Government of Japan confirms the applicability of the provisions of the APL with regard to regulation, administrative measures, and other actions affecting the market for financial services and products in Japan. In particular, in accordance with the APL:
    - i. Standards relating to the licensing and approval of financial activities, which are specified in Appendix 1, and include the entry of financial services suppliers and the provision of financial services and products, have been or will be compiled, published, and made available to the public, except in cases of extraordinary administrative inconvenience<sup>2</sup>.
    - ii. Persons subject to adverse dispositions regarding the licensing and approval of financial activities, which are specified in Appendix 2, will be afforded a clear explanation. When adverse dispositions are rendered in writing, the reasons will also be set forth in writing, except in cases of extraordinary administrative inconvenience.
    - iii. Administrative guidance should not go beyond the jurisdiction of the relevant authority.

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<sup>1</sup> The commitment in this sentence will not preclude either Government from enforcing existing measures, provided that such enforcement will not materially impair the commitments undertaken in the Measures.

<sup>2</sup> "Extraordinary administrative inconvenience" as used in the Measures is intended to be used only in exceptional circumstances.

- iv. Compliance with administrative guidance is voluntary; persons conducting administrative guidance will not treat the subjects of administrative guidance disadvantageously owing to the subjects' non-compliance with the administrative guidance in question.
- v. Administrative guidance that is delivered orally will, upon request, be delivered in writing, setting out a clear statement of the purpose and content, except in cases of extraordinary administrative inconvenience.
- vi. When conducting the same type of administrative guidance on a multiple number of persons with the same set of conditions and to achieve the same administrative purpose, an administrative agency should stipulate in advance, according to each case, the items which are common to those administrative guidances, and should make them public, unless such publication causes extraordinary administrative inconvenience.
- vii. A requirement for notification which meets requirements set out by statute and/or relevant government orders will be fulfilled upon its arrival at the administrative office designated by statute.

### (3) Advisory Groups

When the Government of Japan establishes or regularly seeks recommendations from, in a manner indicative of a formal advisory role for, any council, association, committee, group or similar organization with a purpose or function relating to the provision of financial services, which includes the participation of members of the private sector, the Government of Japan will strongly request the entity to allow interested foreign financial services suppliers established in Japan, and associations or other organizations representing such companies, to attend its meetings and submit statements to it to the extent possible.

### (4) Participation in Industry Groups

- a. In Japan and the United States, foreign financial services suppliers can join relevant trade associations such as the Federation of Bankers Associations of Japan, the Japan Securities Dealers Association, the Securities Investment Trust Association, and the Investment Advisory Company Association.
- b. The Government of Japan confirms that trade associations and other similar organizations accord foreign financial services suppliers rights, privileges, and opportunities equal to those accorded to domestic firms subject to similar fees and other obligations, in accordance with the rules set out by the organizations. Such rights, privileges, and opportunities include rights, privileges, and opportunities regarding representation and governance of the associations.

### (5) Access to Financial Services Regulatory Information

- a. The Government of Japan will ensure that foreign as well as domestic financial services suppliers are accorded meaningful and fair opportunities to be informed of, comment on, and exchange views with officials regarding, measures relating to or affecting the provision of financial services in Japan.

(6) Administrative Appeals

- a. The Government of Japan confirms the applicability of the Administrative Appeals Inquiries Law (Gyosei fufuku shinsa ho) and the Administrative Case Litigation Law (Gyoseijiken sosho ho) to all dispositions relating to the provision and use of financial services in Japan.

### III. FUND MANAGEMENT ACTIVITIES

- (1) Prudence and efficiency are two essential elements of pension fund management. The prudent and efficient management of pension assets is best achieved through competition among fund managers, greater opportunities for diversification and specialization by fund managers, and through transparent and appropriate prudential regulation.
- (2) Both Governments confirm, in principle, that it is important to manage public pension funds in a sound, effective, and prudential manner, and that priority should be given to the safe management of assets. In this context, the Government of Japan is of the position that public pension funds are to be invested in instruments of which principal may be guaranteed regardless of whether they are actually guaranteed or not, and that they are not to be invested in instruments of which principal is prohibited to be guaranteed by law. Both Governments also confirm the importance of ensuring that, in the context of Japanese public pension fund management, relevant government and quasi-governmental institutions are not in a position to deliberately select individual stocks for a portfolio purpose; and that public officials, as well as quasi-public officials, are not in a position to deliberately order the selection of individual stocks in his/her capacity as a government official or a quasi-government official.
- (3) Access by Investment Advisors to the Management of Nempuku Investments
  - a. In order to diversify the investments of the Pension Welfare Service Public Corporation ("Nempuku") and to improve its fund performance, the Government of Japan has decided, in the fiscal year 1995 budget formulation process, to permit investment advisory companies ("IACs") to participate effectively in the management of Nempuku's fund assets through a variation on the "Shiteitan" framework. "Two new investment vehicles for this purpose will be put into force, one involving a securities investment trust, the other a limited partnership.
  - b. With respect to these vehicles:
    - i. Nempuku will have full authority to determine the allocation of its funds to private financial institutions that may be managed by IACs using either of these vehicles;

- ii. Nempuku will be given the opportunity to invest in funds investing in a specialized class of assets managed by specialized fund managers through either of these vehicles;
  - iii. IACs will be given the opportunity to participate in the development of the specific mechanisms through which the new scheme will be implemented; and,
  - iv. subject to Diet approval of the 1995 budget, these vehicles will take effect within fiscal year 1995.
- c. It is the view of the Ministry of Finance that this new scheme will provide an effective means in practice for IACs to participate in the management of public pension funds.
  - d. At the time of the next comprehensive review of the Japanese pension system in 1999, this scheme would be reviewed.

#### (4) Access to Other Pension Funds

##### a. Employees' Pension Funds

- i. The Government of Japan intends to continue to improve the market access of IACs to the fund management of Employees' Pension Fund accounts by:
  - A. shortening the 8-year requirement to 3 years for the approval of discretionary fund management of Employees' Pension Fund accounts; and,
  - B. gradually enlarging the current 1/3rd ceiling on discretionary fund management of Employees' Pension Fund accounts.
- ii. The Government of Japan confirms that the fund allocation of Employees' Pension Funds among pension fund managers, and changes in those allocations, are determined by the Employees' Pension Funds, meeting the government regulations and subject to contractual obligations.

##### b. Mutual Aid Associations

- i. The Government of Japan intends to improve access to the fund management of Mutual Aid Associations:
  - A. by permitting the Federation of National Public Service Mutual Aid Associations to employ IACs through discretionary investment contracts; and,
  - B. by permitting the Mutual Aid Association of the Nippon Telegraph and Telephone Corporation to employ IACs through discretionary investment contracts.

- ii. The Government of Japan reconfirms that IACs are already permitted to manage funds of the following Mutual Aid Associations through discretionary investment contracts: the Federation of Local Public Service, Tokyo Prefectural Personnel, Local Public Personnel, Designated Cities' Employees, Federation of Cities and Municipal Personnel, the Police MAA, the Public School MAA, and the MAA of the Agricultural, Forestry, and Fishery Institution Employees.
- c. Tax Qualified Pension Plans
  - i. The Government of Japan confirms that, through the current Tax Qualified Pension Trust framework, a trust bank can invest funds under such framework in investment trusts, based on its own discretionary investment judgment.

(5) Permission to Specialize

- a. The present asset allocation guidelines applied to individual fund managers for Nempuku will be changed within fiscal year 1995 so that such guidelines are applied to the entire fund of Nempuku (excluding the commingled funds of an insurance company).
- b. The Government of Japan also intends to eliminate the asset allocation guidelines on individual fund managers for the discretionary fund management part of the Employees' Pension Fund accounts.

(6) Market-Value Accounting and Performance Evaluation

- a. The Government of Japan intends to reform the actuarial standards of Employees' Pension Funds by mid-1996 from the viewpoint of taking a market-value basis into account, based on discussion of a study group of the Ministry of Health and Welfare which will outline the conclusions in a final report by mid-1995. The Government of Japan intends to implement the new standards not later than fiscal year 1997.
- b. In addition, the Government of Japan:
  - i. welcomes the recent developments made by pension fund sponsors and pension fund managers to develop standardized performance data along the lines of an internationally accepted format;
  - ii. welcomes increased use by pension fund sponsors of independent performance evaluation companies and will continue to ensure that pension fund sponsors have the opportunity to obtain an independent assessment of the performance of individual fund managers; and,
  - iii. will encourage pension fund managers to prepare performance data of funds under their management on a current market-value basis and in an internationally accepted

format. The Government of Japan also will encourage the parties concerned, such as pension fund sponsors and pension fund managers, to release the performance data necessary to conduct performance evaluation to interested parties such as performance evaluation companies used by pension fund sponsors.

(7) Investment Trusts

a. Conducting Investment Trust Business and Discretionary Investment Management Business in One Entity

i. The Government of Japan will permit a discretionary investment management company to conduct, in one entity, investment trust business and discretionary investment management business, provided that such company meets the requirements set forth below and obtains a license as an investment trust management company and similarly, will permit an investment trust management company to conduct, in one entity, both such businesses, provided that such company meets the requirements set forth below and obtains a license for discretionary investment management business, with a view to improving access to, and promoting competition in, the investment trust market.

ii. The requirements referred to in paragraph (7) a. i. above are the following:

A. a discretionary investment management company wishing to obtain a license as an investment trust management company or an investment trust management company wishing to obtain a license for the discretionary investment management business must:

1. have had average assets under management of no less than 300 billion yen over the most recent three-year period; in the case of a foreign discretionary investment management company in Japan, such average assets will be the average assets under management by the parent company of such company; and,
2. have marked a positive current balance for the latest period; in the case that a company has marked a negative current balance, under the special circumstances, it is still eligible if it marked a positive current balance during any of the three most recent periods;<sup>3</sup>

B. an investment trust management company must be incorporated in Japan.

iii. In connection with paragraph (7) a. i. above, the Government of Japan will remove the current minimum capital requirement on an investment trust management company (300 million yen) and replace it with the requirement that an adequate

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<sup>3</sup> In addition to the above requirements, the licensing criteria for an investment trust management company and those of a discretionary investment management business also apply respectively.

amount of capital be prepared to maintain net assets of no less than 50 million yen, which will also apply to a discretionary investment management company which is to conduct investment trust management business.

b. Retailing Investment Trust Products

- i. The Government of Japan confirms that securities subsidiaries of commercial banks are permitted to sell investment trust products and that investment trust management companies are permitted to sell such products directly; such retail channels will be utilized to the maximum extent possible in order to expand business opportunities of investment trust management companies.
- ii. The Government of Japan also confirms that investment trust management companies may use any media to advertise the performance of investment trust products, except unit-type spot funds, under the current relevant rule.

c. Enhancing Disclosure of Performance Data

- i. The Government of Japan will enhance disclosure of investment trust management performance data on a current market-value basis and, to this end, will ask the relevant self-regulatory organization to develop and publish on a monthly basis a performance chart on new stock investment trusts and to improve its performance disclosure system on existing investment trusts, in order that investors are better informed of each fund's investment performance.
- ii. The Government of Japan will ask the relevant self-regulatory organization to establish a mechanism through which basic performance data of investment trust products are provided to private entities for performance evaluation purposes.
- iii. The Government of Japan will require investment trust management companies to enhance disclosure of investment trust products by amplifying the contents of prospectuses and regular reports on an annual basis in order that investors may make investment decisions based on more detailed information on such matters as investment policy, dividend distribution policy, risk profiles, fees and asset allocation.

d. Newly Permitted Investments

- i. The Government of Japan will permit investment trust management companies to invest up to but not including 50% of each fund in instruments other than those defined under Article 2 of the Securities and Exchange Law ( the "SEL") and will permit such companies to invest in yen CDs, yen call money and securitized real property. The Government of Japan will fundamentally deregulate the current restrictions on the types of instruments that funds will be allowed to invest in subject to minimum prudential requirements in order to encourage investment trust management companies to develop original products and investment policies and to

meet diversified investor needs by:

- A. abolishing the requirement that futures and options trading be used only for hedging purposes and permitting the use of such trading for general fund management purposes;
  - B. permitting investment trust management companies to invest in foreign and domestic privately placed bonds;
  - C. expanding the permissible range of margin transactions in which stock may be borrowed and sold;
  - D. abolishing the requirement which limits investment in foreign securities to those securities trading in particular foreign securities markets and permitting investments in securities trading in all markets;
  - E. permitting investment in other investment trust products;
  - F. permitting investment in securitized products backed by real property; and,
  - G. permitting trading in forward interest rate agreements and forward exchange agreements.
- ii. The Government of Japan also confirms that investment trust management companies will be able to invest in a greater range of securities as a result of any expansion of instruments or investments deemed to be securities under Article 2 of the SEL.
- e. Sales of Foreign Investment Trust Products
- i. The Government of Japan will permit, at a maximum, five-sixths of a foreign country fund to be sold in Japan and will publish a ministerial notice in order to ensure transparency of the criteria on the sale of foreign investment trust products in Japan.

## (8) Measures by the United States

- a. Access by Foreign Fund Managers
  - i. The Government of Japan recognizes that foreign fund managers have been, and will be able to organize and register U.S. funds under the same requirements as U.S. fund managers.
  - ii. The Government of Japan recognizes that the staff of the U.S. Securities and Exchange Commission (the "SEC") has already taken a number of steps to liberalize access to U.S. markets by easing restrictions on foreign advisers who have

U.S. and foreign clients. The staff's action has enhanced the ability of advisers located in Japan to serve both Japanese and U.S. clients.

- iii. The Government of the United States has encouraged the staff of the SEC to explore possible additional measures, consistent with investor protection concerns under U.S. law, to address the restrictions imposed on access by foreign investment trusts, as well as issues raised by the Government of Japan that concern investment advisers. The staff of the SEC is willing to consult with the relevant administrative authorities of the Government of Japan, at their request, with a view toward exploring and, where appropriate, implementing administrative action to address such restrictions and issues regarding access by foreign investment trusts and advisers. In this context, the Government of the United States notes that Section 7(d) of the Investment Company Act provides authority to address such issues on a case-by-case basis with respect to investment trusts.

(9) Recognition of Measures Undertaken

- a. The Government of the United States recognizes' that the Government of Japan has eliminated the distinction between "old" and "new" money for Employees' Pension Fund accounts.

## IV. SECURITIES

(1) General Principles

- a. The Governments recognize that open, competitive capital markets are essential to the efficient allocation of resources in an economy. To this end, the Governments are of the view that restrictions on the ability of corporations to issue or sell securities in domestic and foreign markets and on the ability of investors to purchase freely such securities should be kept to the minimum necessary to address prudential concerns. The Governments also recognize that transparency regarding the process of clarifying whether an instrument constitutes, or may constitute, a "security" under their respective securities laws is important to enhance efficiency in the issuance or sale of securities.

(2) Procedures for Clarifying and Expanding the Definition of a Security and Approving Securities Companies' Other Business

- a. The Government of Japan:
  - i. confirms that any instrument will constitute a security to the extent that it satisfies the definition of a "security" set forth in Article 2 of the SEL. Any rights to issue, distribute, sell or purchase or otherwise transact in such a security will be subject only to registration or other requirements set forth in applicable laws and regulations. Any interested person can make an inquiry when they are not certain whether an instrument constitutes a "security" under Article 2 of the SEL, but they are not

required to do so;

- ii. upon inquiry, will study in a fair and expeditious manner whether an instrument constitutes a "security" under Article 2 of the SEL in light of fair standards of investment value and transferability and will respond promptly with an appropriate explanation to such an inquiry, in writing if requested, except in cases of extraordinary administrative inconvenience. In addition, the Government of Japan will make its response available to the public, provided that publication of that response would not jeopardize confidentiality;
- iii. upon written request, will study in a fair and expeditious manner whether an instrument should be designated by Cabinet Order as a "security" under Article 2 of the SEL in light of fair standards of investment value and transferability and in light of the need to provide for investor protection under the SEL (in particular, where no other law provides such protection); will respond promptly with an appropriate explanation to such a written request, in writing if requested, except in cases of extraordinary administrative inconvenience; and will make its response available to the public, provided that publication of that response would not jeopardize confidentiality; and,
- iv. confirms that securities companies wishing to engage in businesses related to investment products not constituting securities under Article 2 of the SEL may apply to engage, in businesses under Article 43 of the SEL, and that totally or partially denying such an application will constitute a "Disposition denying the permission etc." under the APL and applicants will be entitled to the procedural protections thereunder.

### (3) Accommodating Future Innovation

- a. The Government of Japan intends to:
  - i. fully utilize the existing mechanisms available to it, including the interpretation of Article 2 of the SEL, designation by Cabinet Order, or approval for other business, in order to respond appropriately to developments and innovations in securities products and markets; and,
  - ii. continue to review relevant laws and regulations, including the SEL, with a view toward accommodating the development of new securities products and changes in securities markets while ensuring the most appropriate supervision of such markets.

### (4) Expanding the Scope of Securities Business Under the SEL

- a. Asset-Backed Securities
  - i. The Government of Japan will accelerate the on-going review among the relevant ministries of such issues as an appropriate framework for investor protection and

consistency with other relevant laws and regulations in order to identify an appropriate legal approach for the introduction in Japan of securities backed by claims covered by the Law Regarding Regulation of Business Concerning Specified Claims; make utmost efforts to finalize the review by the end of March 1995; and positively consider the introduction of such securities after having ensured an appropriate solution to the above issues.

b. Derivatives

- i. The Government of Japan emphasizes its policy priority to further expand transactions of exchange-traded derivatives based on equities and will continue to review wide-ranging issues relating to over-the-counter derivatives based on equities, including potential risks associated with those products, systemic effects on the cash market possibly arising from those products and the relevant legal constraints, with due attention to recent and future developments and concerns in other major financial markets.

c. Confirmation of New Securities Products

- i. In the context of paragraph (3) of Section IV, the Government of Japan intends to newly confirm and publicly state that the following securities fall within the definition of a "security" under Article 2 of the SEL:

A. Asset-Backed Securities

1. Non-agency pass-through securities backed by financial institution mortgages, issued by foreign private institutions;
2. Foreign pass-through securities backed by cash loans made by financial institutions, including, but not limited to:
  - home equity loans
  - automobile loans
  - boat loans

B. Other Securities

1. Exchangeable Bonds;
2. Strippable Bonds issued offshore other than strippable U.S. Treasury Bonds; and,
3. Dual Currency Bonds with Currency Options,

d. Reconfirmation of Existing Securities Products

- i. The Government of Japan reconfirms and publicly states that the following

securities fall within the definition of a "security" under Article 2 of the SEL:

A. Asset-Backed Securities

1. Asset-Backed Bonds (pay-through securities) issued by foreign institutions in line with the scheme announced in the public statement by the Ministry of Finance on September 16, 1994;
2. Foreign pass-through securities backed by credit card loans which are cash loans made by financial institutions (CARDs);
3. Collateralized Mortgage Obligations (CMOs);
4. Stripped Mortgage Backed Securities (IOs/POs);
5. GNMA pass-through securities;
6. FNMA pass-through securities;
7. FHLMC pass-through securities;
8. REIT (corporate type);

B. Other Securities

1. Foreign Closed-End Funds;
2. Bonds with Debt Warrant;
3. Step-Up/Down Bonds; and,
4. Strippable U.S. Treasury Bonds.

ii. In addition, the Government of Japan confirms that there is no legal or administrative regulation imposed on Note Issuance Facilities or on Revolving Underwriting Facilities.

(5) Securities Firms' Other Business

- a. The Government of Japan confirms that securities firms will be permitted, upon application, to engage in a full range of yen interest rate swaps, subject to the relevant criteria that is consistent with the IOSCO risk management guideline.

(6) Introduction of Currency-Related Derivatives

- a. The Government of Japan confirms that with respect to currency-related derivatives not

defined as securities under Article 2 of the SEL, it will undertake product-by-product studies and consultations with government offices concerned as promptly as possible with regard to such derivatives' consistency with domestic laws, and that, based on the results of these studies and consultations, necessary measures will be taken within the Foreign Exchange and Foreign Trade Control Law to expand the range of currency-related derivative instruments.

- b. In the manner set forth in paragraph (6) a. above, the Government of Japan will study the feasibility of introducing currency warrants after identifying the need for those instruments in the domestic market.
- c. The Government of Japan is prepared to respond with an appropriate explanation to an inquiry regarding the introduction of currency-related derivatives that are not defined as securities under Article 2 of the SEL as promptly as possible, and to reply to such an inquiry in writing if requested, except in cases of extraordinary administrative inconvenience.
- d. The International Finance Bureau of the Ministry of Finance plans to facilitate studies regarding the introduction of currency-related derivatives not defined as securities under Article 2 of the SEL through additional staffing for this purpose.

(7) Additional Liberalization of Corporate Bond Issues

- a. The Government of Japan also intends to take the following measures:
  - i. assure that no restriction is imposed on the maturity structure of corporate bonds issued in Japan or offshore;
  - ii. steadily promote diversification in structures, including interest rate structures, of corporate bonds issued in Japan by residents or non-residents; and,
  - iii. concerning the minimum rating requirements and financial criteria on all domestic issues by Japanese residents, fundamentally review and, after public hearing, announce a relaxation program, by the end of March 1995, including possible elimination of the minimum rating requirements in a reasonable transitional period, at a maximum within one year after the announcement.

(8) Liberalizing the Distribution of Securities Products

- a. Noting that the Government of the United States has expressed the view that institutional investors' ability to purchase shares of primary issues be expanded, the Government of Japan confirms that a designated institutional investor is allowed to purchase, at maximum, 50 unit, 100 unit, and 150 unit shares of a primary issue, respectively, according to the size of the issue, classified in the Japan Securities Dealers Association 10 Units Stock Distribution Rule. The Government of Japan recognizes that the rule will be reviewed in accordance with future conditions in securities markets and

securities transactions, as well as future movement of public opinion on the matter.

- b. The Government of Japan will invite the relevant stock exchanges not to apply the 5 Units Stock Distribution Rule to shares traded in the over-the-counter market which are to be newly listed on a stock exchange.
- c. The Government of Japan will fundamentally deregulate the current investment guidelines applied to investment trust management companies, as specified above in Section III.

(9) Liberalization of Commercial Paper

- a. In addition to the issuance of yen commercial paper by foreign securities firms under the current rule, the Government of Japan also intends to allow by the end of March 1995 such firms to issue yen commercial paper with a parent guarantee subject to the relevant criteria, in cases in which they are not able to issue yen commercial paper by themselves under the current rule.

(10) Abolition of Administrative Notices on Offshore Warrants

- a. The Government of Japan will abolish the administrative notices issued in 1988 regarding the issuance offshore of warrants linked to Japanese Government Bonds and Japanese stock indices, noting that, regardless of the abolition of the notices, Article 201 of the SEL remains applicable to the sale of over-the-counter warrants to Japanese residents.

(11) Measures by the United States

- a. Abbreviated Exams
  - i. The Government of the United States notes that foreign, including U.S. securities representatives who meet the relevant requirements on status and experience relating to engagement in securities business in their home countries are exempt from taking the Japanese qualification examination to work in Japan for their securities companies.
  - ii. The Government of the United States agrees to encourage the relevant self-regulatory organizations to implement abbreviated examinations designed to eliminate redundancy between the respective U.S. and Japanese examinations, which will enable Japanese securities representatives to work for a broker-dealer in the United States without taking the full U.S. examination normally required.
- b. State Level Securities Regulation
  - i. The Government of the United States supports the goal of coordination of federal and state securities registration requirements, consistent with the goals of investor

protection. To this end, the administrative authority of the United States has facilitated the initiation of discussions between the North American Securities Administrators Association and the Japanese administrative authority in an effort to identify areas where the Government of Japan believes there is an overlap between federal registration requirements and state registration requirements, and which it believes create impediments to the offer in the U.S. of securities of Japanese issuers. The Government of the United States, noting that federal securities law does not preempt state law related to securities offerings, will consider the issues raised by the Government of Japan in this regard and, as appropriate, will explore means of addressing these issues.

#### (12) Recognition of Measures Undertaken

- a. The Government of the United States recognizes that the Government of Japan has made progress in liberalizing the domestic securities market. For example, the Government of Japan has:
  - i. steadily relaxed the minimum ratings and financial requirements for the issuance of bonds in the domestic securities market;
  - ii. promoted further diversification of maturities and interest rate structures for domestic yen bonds, such as floating rate notes and straight bonds with parent guarantees;
  - iii. confirmed a broader range of products (i.e., a certain class of asset-backed securities issued offshore and the sale of forward yen-yen interest rate agreements);
  - iv. eliminated ceilings on bond issues; and,
  - v. limited the role of commissioned banks to after issuance duties only.
- b. The Governments confirmed in June 1 993 the importance of certain principles in guiding the formulation of regulations concerning equity derivative markets in the U.S. and Japan.

The Governments reconfirm that the principles outlined in June 1993 are still operative.

## V. CROSS-BORDER CAPITAL TRANSACTIONS

### (1) General Principles

- a. The Governments confirm that open, liberal markets and the free and normal movement of capital are necessary to the effective operation of the international monetary system and to the efficient allocation of resources among and within countries.

(2) Liberalization of Securities Issued by Non-Residents

- a. The Government of Japan intends to introduce by the end of March 1995 a new comprehensive notification system for securities issued in Japan, including private placements, by non-resident issuers. Under this system, an issuer may issue securities in one or more transactions over a period of one year subject only to ex post reporting, provided that the issuer requests an exemption from the standard notification requirement from the Ministry of Finance at the outset of the one-year period.
- b. In addition, the Government of Japan intends to introduce by the end of March 1995 a new comprehensive approval system for securities issued in yen offshore, including private placements, by non-resident issuers. Under this system, an issuer may issue securities in one or more transactions over a period of one year subject only to ex-post reporting, provided that the issuer receives comprehensive approval of the Ministry of Finance at the outset of the one-year period.
- c. The comprehensive notification/approval under these new systems will be effective within five business days of the receipt by the Ministry of Finance of the request/application for approval, except in extraordinary administrative circumstances. Such request/application for approval need include only the name of the issuer (address, type of industry, and nationality). If available, the following items may also be included, but only for informational purposes:
  - agent for issuer
  - planned total amount of issues
  - kinds of planned securities issues
  - rating
  - use of raised funds
  - parties concerned (lead manager, fiscal agent, etc.)
- d. In addition, and related to the above, the Government of Japan intends to take the following measures:
  - i. assure that no restriction is imposed on the maturity structure of corporate bonds issued by a non-resident either in Japan or offshore;
  - ii. impose no restrictions on securities structures, including interest rate structures, of corporate bonds issued offshore in yen by a non-resident; and,
  - iii. steadily promote diversification in structures, including interest rate structures, of corporate bonds issued in Japan by a non-resident.

(3) Liberalization of Securities Issued Offshore by Residents

- a. The Government of Japan intends to introduce by the end of March 1995 a new comprehensive notification system for securities issued offshore by resident issuers. Under this system, an issuer may issue securities in one or more transactions over a

period of one year subject only to ex post reporting, provided that the issuer requests an exemption from the standard notification requirement from the Ministry of Finance at the outset of the one-year period.

- b. The comprehensive notification under this new system will be effective within five business days of the receipt by the Ministry of Finance of the request, except in extraordinary administrative circumstances. Such a request need include only the name of the issuer (address, type of industry, and nationality). If available, the following items may also be included, but only for informational purposes:
  - agent for issuer
  - planned total amount of issues
  - kinds of planned securities issues
  - rating
  - use of raised funds
  - parties concerned (lead manager, fiscal agent, etc.)
- c. In addition, and related too the above, the Government o Japan intends to:
  - i. assure that no restriction is imposed on the maturity structure of corporate bonds issued offshore by residents;
  - ii. impose no restrictions on securities structures, including interest rate structures, of corporate bonds issued offshore by residents;
  - iii. eliminate the minimum rating requirement on all offshore bond issues by residents in the case that deregulation on domestic issues is put into place; and,
  - iv. confirm that no financial criteria will be imposed on resident companies issuing bonds offshore.

#### (4) Liberalization of Seasoning Requirements

- a. The Government of Japan intends to:
  - i. announce by the end of March 1995 a program to abolish the current 90-day offshore seasoning period on non-sovereign Euroyen bond issues by non-residents with the timing to coincide with the deregulation of the minimum ratings requirement for domestic bond issues, in accordance with the timetable in paragraph (7) a. iii. of Section IV; and,
  - ii. study whether the offshore seasoning period on Euroyen bond issues by residents could be relaxed considering such factors as the situation of the domestic market.

#### (5) Access by Residents to Foreign Financial Instruments

- a. Use of Overseas Deposit Accounts

- i. The Government of Japan:
  - A. intends to introduce as soon as possible a new comprehensive approval system under which an industrial corporation satisfying certain standards relating to the adequacy of the framework of such corporation's in-house legal, risk management, and financial management systems, may make overseas deposits of an unlimited amount for the purpose of portfolio investment. Comprehensive approval will be for an indefinite period of time. Upon approval, such corporations will be permitted to make overseas deposits, in excess of 100 million yen equivalent, for portfolio purposes, subject only to ex post reporting on a periodic basis; and,
  - B. confirms that the portfolio investments referred to above may include any financial instrument, including those not defined as securities under Article 2 of the SEL, other than investments that are prohibited under Japanese laws relating to criminal activities, such as Article 201 of the SEL.
- ii. In addition, the Government of Japan intends to allow, with no additional approval, overseas deposits for the purpose of portfolio investment that result from crediting dividends and settlements related to redemptions and sales of foreign securities defined under Article 6 of the Foreign Exchange and Foreign Trade Control Law to temporarily exceed 100 million yen equivalent for residents not covered under the new comprehensive approval system described above.

(6) Access by Non-DFIs to Foreign Listed Options and Futures

- a. The Government of Japan intends to:
  - i. permit non-DFIs, both non-financial corporate and individual Japanese investors, to directly invest, without solicitation, in all securities derivatives products listed on overseas exchanges, including all types of cash options on securities;
  - ii. permit a corporate investor to invest in foreign securities derivatives products listed on overseas exchanges for its own account subject only to ex post reporting under the Foreign Exchange and Foreign Trade Control Law. Corporate investors will also be exempt from separate approval requirements or will be granted comprehensive approvals under the Foreign Exchange and Foreign Trade Control Law regarding associated overseas margin deposits and the netting of settlements in connection with those transactions; and,
  - iii. exempt from separate approval and prior notice requirements or grant comprehensive approvals permitting a corporate investor satisfying certain standards relating to the adequacy of the framework of such corporation's in-house legal, risk management, and financial management systems, to invest in financial futures and options listed on overseas exchanges for its own account. These

corporate investors will also be exempt from separate approval and prior notice requirements or will be granted comprehensive approvals under the Foreign Exchange and Foreign Trade Control Law regarding associated overseas margin deposits and the netting of settlements in connection with those transactions as well as sales or purchases of foreign means of payment and other operations for those transactions.

(7) DFI Access to Derivative-Related Instruments and other Portfolio Investments

a. Currency Spot Options

- i. The Government of Japan intends to exempt securities companies, insurance companies, and investment trust companies from any requirement to obtain prior approval under the Foreign Exchange and Foreign Trade Control Law to trade in currency spot options listed on overseas exchanges for their own account.

b. Ex Post Reporting

- i. The Government of Japan confirms that all DFIs are exempt from the prior notice requirement on their cross-border portfolio investments under the Foreign Exchange and Foreign Trade Control Law if such institutions so request.

(8) Other Cross-Border Business

a. Foreign Exchange Transactions Conducted by Securities Companies

- i. The Government of Japan will continue to take necessary measures under the Foreign Exchange and Foreign Trade Control Law on foreign exchange transactions by securities companies in consideration of the necessity of such transactions to the operation of their underlying businesses.
- ii. In addition, the Government of Japan will facilitate foreign exchange transactions conducted by securities companies immediately through the following specific measures:
  - A. confirming that currently eligible currency swaps related to an underwriting can either fully or partially cover the total amount of bonds issued in such underwriting;
  - B. changing the prior notice requirement into an ex post reporting requirement on currency swaps related to an underwriting;
  - C. permitting securities companies to engage in currency swaps with Japanese investors that are simultaneously conducted with the investors purchase of foreign securities in order to fix yen amounts receivable in connection with interest on, and redemptions of, such securities; and,

- D. permitting securities companies to conduct transactions of currency spot options listed on overseas exchanges for their own accounts.
  - iii. In addition, the Government of Japan will explore appropriate ways for securities companies to engage in foreign exchange transactions related to their underlying businesses in light of the progress made in the reform of the Japanese financial system.
- b. Ability to Engage in Netting
- i. The Government of Japan will positively study the possibility of granting comprehensive approvals to Japanese investors who are not solicited by foreign securities companies for the netting of settlements of repurchase transactions in overseas bond markets, after having taken into account the legal aspects involved in such transactions in the countries concerned.
  - ii. The Government of Japan confirms that the netting of settlements in connection with securities transactions similar to the above which are frequently repeated and for which it is excessively inconvenient to obtain individual approvals will be allowed under the comprehensive approval system, except for nettings which circumvent the Foreign Exchange and Foreign Trade Control Law or relate to illegal transactions under Japanese laws, such as those transactions concerned with crimes.
  - iii. The Government of Japan confirms that the netting of settlements in connection with other transactions will be approved, except for nettings which circumvent the Foreign Exchange and Foreign Trade Control Law or relate to illegal transactions under Japanese laws, such as those transactions concerned with crimes.
- c. Sales of Financial Claims
- i. The Government of Japan confirms that sales of financial claims will be approved, except for such sales which circumvent the Foreign Exchange and Foreign Trade Control Law or relate to illegal transactions under Japanese laws, such as those transactions concerned with crimes.
  - ii. The Government of Japan also confirms that a sales contract of domestic assets for the purpose of securitization overseas will be approved promptly.

## (9) Future Steps

- a. In light of ongoing deregulation of the domestic financial markets and future evolution of financial products and services, the Government of Japan will continue to consider further liberalization of cross-border capital transactions as appropriate.

## (10) Recognition of Measures Undertaken

- a. The Government of the United States recognizes the recent progress made by the Government of Japan in relaxing restrictions on cross-border capital transactions.
- b. The Government of Japan has:
  - i. Seasoning Rule:
    - A. eliminated the 90-day offshore-seasoning rule for Euroyen bonds placed by non-resident sovereign issuers;
  - ii. Transactions by Financial Institutions:
    - A. introduced forward rate agreements and forward exchange agreements (October 1994); and,
    - B. allowed financial institutions to trade in cash stock options and stock index options listed on overseas exchanges for their own accounts (by the end of fiscal year 1994);
  - iii. Transactions by Others:
    - A. raised the exemption ceiling beyond which approval is required under the Ministerial Ordinance regarding overseas deposits from ¥30 million equivalent to ¥100 million equivalent (March 1994);
    - B. expanded the range of currency swaps able to be used by securities firms in the conduct of their overseas subsidiaries' underwriting business by the end of fiscal year 1994;
    - C. liberalized deposit and offsetting transactions required of non-residents in bidding for shares of initial public offerings in Japan (January 1994); and,
    - D. raised the exemption ceiling beyond which approval is required for certain corporations, including trading firms, to engage in netting between parent and subsidiary, as well as head office and branch, from ¥10 million equivalent to ¥100 million equivalent (April 1994).
  - iv. Resident Foreign Bonds:
    - A. relaxed the minimum ratings to "BBB or better" (January 1994);
    - B. abolished the financial criteria on net assets for BBB issuers (July 1994);
    - C. committed to review rating requirements/financial criteria by the end of fiscal year 1994;

- D. abolished the "Three Bureaus Guidance" which restricted public offshore bonds lead-managed by subsidiaries of Japanese banks (April 1993);
  - E. expedited substantially the notification procedure under the "Bond Issuance Program" (July 1993);
  - F. confirmed that a foreign-affiliated company in Japan can issue foreign bonds with a parent company guarantee (June 1994); and
  - G. allowed residents to issue Euroyen bonds with a parent company guarantee (July 1 1994).
- v. Non-resident Domestic Bonds:
- A. relaxed the minimum ratings to "BBB or better" (January 1 1994);
  - B. abolished the financial criteria on net assets for BBB issuers (July 1994);
  - C. committed to review rating requirements/financial criteria by the end of fiscal year 1994;
  - D. confirmed that subsidiaries of Japanese firms located overseas can issue domestic bonds in Japan (June 1994); and
  - E. confirmed that private foreign companies can issue private placements in Japan (June 1994).
- vi. Non-residents Euroyen Bonds:
- A. abolished minimum ratings (July 1993);
  - B. allowed the majority of Euroyen bonds issued by non-residents to be subject to ex-post reporting (June 1989); and
  - C. eliminated the 90-day seasoning rule for Euroyen bonds by non-resident sovereign issuers (January 1994).
- vii. raised the exemption ceiling beyond which prior notification is required on portfolio investments from ¥30 million to ¥100 million (March 1994).
- viii. raised the exemption ceiling beyond which prior notification with examination is required for foreign direct investment from ¥30 million to ¥100 million (March 1994).

## VI. BANKING

### (1) Interstate Banking

- a. The Government of Japan welcomes the progress that the Government of the United States has made through the implementation of the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994 ("Riegle-Neal"), which ensures foreign banks national treatment in interstate banking and branching activities. The Government of the United States agrees that foreign and domestic banks should be permitted to engage in nationwide banking activity for foreign and domestic banks to the full extent possible under Riegle-Neal, consistent with the principle of national treatment embodied in that legislation.
- b. The Government of the United States notes that, even before the adoption of the Riegle-Neal banking legislation, many states had taken action to liberalize interstate acquisitions of banks on a basis that provided national treatment to foreign banks. The Government of the United States welcomes further initiatives by states to provide additional access on a non-discriminatory basis.

### (2) Harmonization of Regulation

- a. The Government of the United States notes the concern expressed by the Government of Japan regarding the potential impact on foreign banks in the United States of overlapping and differing state and federal regulations that may exist in a number of areas. The Government of Japan recognizes that banking has long been subject to regulation at both the federal and state level within the United States, and that the structure of the dual banking system affects domestic as well as foreign institutions.
- b. The Government of the United States notes that the Federal Reserve, working in cooperation with other supervisory authorities, is establishing an enhanced framework for the supervision of the U.S. operations of foreign banking organizations ("FBO Program"), which seeks to render the supervisory process more efficient by, among other things, stressing coordination of annual exams of the U.S. operations of foreign banks and providing uniform guidance regarding examination policies with respect to classification of loans and circumstances in which, for prudential reasons, supervisory requirements such as asset maintenance should be considered.
- c. As evidenced by the provisions of the FBO Program enhancing the efficiency of the supervisory process as it applies to state-licensed branches and agencies of foreign banks is an important objective of the Federal Reserve.

### (3) Citizenship Requirements for Board Members of U.S. Financial Institutions

- a. The Government of the United States notes the concern expressed by the Government of Japan regarding citizenship requirements that may be imposed for members of the boards of directors of U.S. financial institutions. The Government of the United States

also notes that the National Bank Act requirement that every member of the board of directors of a national bank be a citizen of the United States may be mitigated in the case of a subsidiary or affiliate of a foreign bank. In the case of a national bank or affiliate of a foreign bank, the Comptroller of the Currency may at his discretion waive the citizenship requirement in the case of not more than a minority of the total number of directors.

(4) Mutual Entry Between Banks and Securities Firms

- a. The United States notes the Government of Japan's interest in obtaining mutual entry of commercial and investment banking business through subsidiaries or affiliates.
- b. The Administration is reviewing the Glass-Steagall Act of 1933. At this point, the Administration believes that reform of Glass-Steagall should: maintain the safety and soundness of federally-insured depository institutions; minimize risk to the financial system, the deposit insurance funds, and the taxpayers; avoid extending the federal safety net; provide appropriate supervision of the activities in question; and include adequate safeguards against abuse. The Administration is willing to work with the Congress toward achieving Glass-Steagall reform legislation that would be consistent with these objectives and would assure the international competitiveness of U.S. financial services providers.

(5) Recognition of Measures Undertaken

- a. The Government of the United States highly appreciates that Japan has concluded its deposit interest rate deregulation program and recognizes that all bank deposits except current deposits in Japan now carry liberalized rates of interest.

## VII. COMPETITION POLICY

- (1) The Government of Japan confirms its commitment to strictly enforce the Anti-Monopoly Act ("AMA") in all industries, including the financial services sector, against practices that, in light of market structure and other factors as appropriate, constitute violations of the AMA, such as private monopolization, unreasonable restraints of trade, or unfair trade practices.
- (2) The Government of Japan confirms that there are no exemptions or regulatory regimes that shield financial services suppliers from full application of the AMA, except for those noted in Appendix 3.
- (3) The Government of Japan recognizes that the Japan Fair Trade Commission ("JFTC") issued the Antimonopoly Act Guidelines Concerning Distribution Systems and Business Practices on July 11, 1991, which is applicable to all industries including the financial services sector, which describe specifically, with respect to the Japanese distribution systems and business practices, the types of conduct, including those indicated in Appendix 4, which may impede free and fair competition and violate the AMA.

- (4) Any person, including foreign financial service suppliers, may report to the JFTC suspected violations of the AMA. The JFTC will review such reports promptly and will take appropriate steps to address such suspected violations depending on the content and reliability of the information.
- (5) Both Governments understand (or recognize) that under Article 28 of the AMA, the JFTC is to perform its duties independently.
- (6) The Government of Japan confirms that an Employee Pension Fund ("EPF") is a legal entity independent of its sponsoring company, established for the purpose of ensuring steady pension benefits and improving the welfare of its members. As such, an EPF should not be managed either for the benefit of a sponsoring company or of a company with whom such sponsoring company has an equity affiliation.
- (7) The Government of Japan confirms that it will ensure, through application of the Employees' Pension Insurance Law, that pension fund directors' fiduciary responsibility is properly performed.

## VIII. CONSULTATIONS

- (1) The Government of Japan and the Government of the United States will meet annually, or at any time upon request of either Government, to review implementation of the Measures and to discuss as necessary other issues regarding the market for financial services.

## IX. ASSESSING IMPLEMENTATION OF THE MEASURES

- (1) Assessment of the implementation of the Measures, as well as the evaluation of progress achieved, will be based on an overall consideration of the following objective criteria using data provided by the Governments. These criteria will be considered as a set, and no one criterion will be determinative of the assessment of the Measures, or the evaluation of progress achieved. These criteria do not constitute numerical targets, but rather are to be used for the purpose of evaluating progress achieved toward the goals of the United States-Japan Framework for a New Economic Partnership and, the goals of this sector, as set forth in Section I.
- (2) General
  - a. transparency and availability of standards and measures in Japan, and meaningful and fair opportunities for foreign financial services suppliers in Japan to be informed of, comment on, and exchange views with officials regarding matters related to the provision of financial services and to attend meetings and submit statements to advisory groups;

- b. prompt and fair review of applications and notifications in Japan;
- c. changes that address impediments to market access in Japan, if any, arising from certain aspects of market conditions and business practices;
- d. efforts by foreign financial services suppliers and intermediaries to utilize new opportunities created by the Measures; and,
- e. implementation of the measures in the Measures by both Governments.

(3) Securities Activities

- a. change and rate of change, from one reporting period to the next, in the percentage, by value, of new corporate issues in Japan and in the U.S. underwritten by foreign firms and underwritten by foreign firms as lead or co-lead managers;
- b. diversification of securities products and product types issued and sold in Japan;
- c. the variety of maturity and interest rate structures in use in the Japanese corporate bond market; and,
- d. implementation of the procedural measures relating to the clarification and expansion of the definition of a security..

(4) Cross-Border Capital Transactions

- a. change and rate of change, from one reporting period to the next, in:
  - i. the number of resident and non-resident Euroyen market issues;
  - ii. the number of non-resident securities issues in the Japanese market;
  - iii. the number of comprehensive approvals granted to establish overseas deposit accounts in excess of the 100 million yen ceiling; and,
  - iv. the percentage, by value, of Euroyen issues underwritten by foreign firms and underwritten by foreign firms as lead or co-lead managers.
- b. the variety of maturity, interest rate, and other structures in the Euroyen market; and,
- c. the extent to which prior approval/notification requirements are effectively changed.

(5) Fund Management Activities

- a. change and rate of change, from one reporting period to the next, in:

- i. the percentage of the non-public pension funds market in Japan open to participation by IACs;
- ii. the share and value of total pension fund management mandates awarded to foreign and Japanese trust banks, life insurance companies and IACs in Japan;
- iii. the number of foreign and Japanese IACs newly licensed to engage in investment trust management business in Japan; and,
- iv. the value of investment trusts in Japan managed by foreign investment trust management companies and the value of foreign investment trusts sold in Japan and the value of investment company assets in the U.S. managed by foreign investment advisers.

## Dispositions to Applications

(Article) (Dispositions [provisionally translated])

### 1. Laws

#### Banking Law

- 4 i license for banking business
- 5 iii approval for reduction of an amount of capital
- 6 iii approval for change of trade name
- 7 approval for concurrent occupation of another post by a director
- 8 approval for establishment of a business office, etc.
- 13 i authorization for exception to the ceiling of credit facilities to one person
- 13 ii authorization for exception to the ceiling of credit facilities to one person on a consolidated basis
- 16-2 i approval for acquisition, etc. of stock shares of security firms, etc.
- 16-3 authorization for exemption from regulations on transactions, etc. with subsidiaries
- 16-4 i approval for acquisition and possession of stock shares, etc. of an company established abroad
- 20 authorization for prolongation of public notice of a balance sheet and a profit and loss statement
- 30 i approval for merger
- 30 ii approval for transfer or acquisition of business
- 30 iii approval for acquisition of business from Shinkin Banks, etc.
- 37 i approval for termination of business, etc.
- 41(4) authorization for extension of validity of license
- 47 i license for banking business for a foreign bank's branch
- 47 ii approval for concurrent occupation of another post by a representative of a foreign bank's branch approval for establishment of a business office, etc. of a foreign bank's branch  
authorization for exception to the ceiling of credit facilities to one person of a foreign bank's branch  
approval for transfer or acquisition of business of a foreign bank's branch  
approval for termination of banking business of a foreign bank's branch
- 55 authorization for extension of validity of approval
- annex 5 i approval for business concerning government bond, etc.  
approval for change of business concerning government bond, etc.

#### Law Concerning Concurrent Operation of Trust Business.-etc. by Financial Institutions

- 1 i approval for concurrent operation
- 5 approval for change of sorts of business, etc.

- approval for establishment or abolishment of an agency concerning trust business
- 5-3 i approval for change of typical trust contracts

#### Long-term Credit Bank Law

- 4 i license for business
- 13-2 approval for acquisition, etc. of stock shares of security firms, etc.
- 17 approval for reduction of an amount of capital
- approval for change of trade name
- approval for concurrent occupation of another post by a director
- approval for establishment of a business office, etc.
- authorization for exception to the ceiling of credit facilities to one person
- authorization for exception to the ceiling of credit facilities to one person on a consolidated basis
- authorization for exemption from regulations on transactions etc. with subsidiaries
- approval for acquisition and possession of stock shares, etc. of a company established abroad
- authorization for prolongation of public notice of a balance sheet and a profit and loss statement
- approval for merger
- approval for transfer or acquisition of business
- approval for acquisition of business from Shinkin Banks, etc.
- approval for termination of business, etc.
- authorization for extension of validity of license
- 20 authorization for extension of validity of approval

#### Trust Business Law

- 1 i license for business
- 11 ii approval for money management concerning movable property
- 14 approval for merger
- 15 approval for change of the articles of corporation, etc.

#### Loan Trust Law

- 4 i authorization for trust terms
- 5 i authorization for change of trust terms

#### Secured Bonds Trust Law

- 4 ii approval for use of stocks as a collateral of bonds
- 5 license for business
- 17 i permission for trust contracts with foreign firms
- 97 ii permission for succession of trust business of foreign firms
- 98 permission for resignation of trustee

#### Foreign Exchange Bank Law

- 4i license for business

6 iii	approval for loans, etc. which are not necessary for overseas transactions, etc.
9-8	approval for acquisition, etc. of stock shares of securities firms, etc.
10	approval for succession of business on acquisition of business
11	approval for reduction of an amount of capital
	approval for change of trade name
	approval for concurrent occupation of another post by a director
	approval for establishment of a business office, etc.
	authorization for exception to the ceiling of credit facilities to one person
	authorization for exception to the ceiling of credit facilities to one person on a consolidated basis
	authorization for exemption from regulations on transactions, etc. with subsidiaries
	approval for acquisition and possession of stock shares, etc. of a company established abroad
	authorization for prolongation of public notice of a balance sheet and a profit and loss statement
	approval for merger
	approval for transfer or acquisition of business
	approval for acquisition of business from a shinkin bank, etc.
	approval for termination of business, etc.
	authorization for extension of validity of license
14	authorization for extension of validity of approval
annex ii	approval for maintenance of business offices at the time of licensing as foreign exchange bank
annex iv	approval for business concerning government bond, etc.
	approval for change of business concerning government bond, etc.

#### Foreign Exchange and Foreign Trade Control Law

10	authorization and license for dealing in foreign exchange business
11	approval for correspondent arrangements
14	authorization and license for dealing in money exchange business
16 i	license for making a payment, etc.
17	license for making a payment, etc. through a special way
18	license for export and import of means of payment, etc.
21i(1)(2)	license for making capital transactions
22 i	designation for designated securities companies
22 ii	approval for laying down a Special International Finance Transaction Account

#### Shinkin Bank Law

4	license for business of shinkin bank and federation
30 (1)	authorization for extension of validity of license of shinkin bank and federation
31	approval for change of the articles of corporation, etc. of shinkin bank and federation
33 i	approval for concurrent occupation of another post, etc. by a director, etc. of shinkin bank and federation
44	approval for summons of an extraordinary general meeting by members of

- shinkin bank and federation
- 53 ix approval for underwriting of government bond, etc. and for change thereof by shinkin bank
- 53 x approval for government bond trading, etc. by shinkin bank
- 53 xi approval for trust business and for change thereof by shinkin bank
- 53 xii approval for commission business of corporate debentures, etc. by shinkin bank
- 54 iii approval for taking deposits from non-members, etc. by shinkin bank federation
- 54 viii approval for underwriting of government bond, etc. by shinkin bank federation
- 54 ix approval for government bond trading, etc. by shinkin bank federation and for change thereof
- 54 x approval for trust business by shinkin bank federation and for change thereof
- 54 xi approval for commission business of corporate debentures, etc. by shinkin bank federation
- 54-2 iii approval for bond issuance business by national federation of shinkin bank
- 54-15 i approval for acquisition of stock shares of security firms, etc. by shinkin bank federation
- 54-16 i approval for acquisition of stock shares, etc. of a company established abroad by shinkin bank federation
- 54-16 ii approval for possession of stock shares, etc. of a company established abroad by shinkin bank federation
- 58 iii approval for merger, etc.
- 87-3 authorization for extension of validity of approval
- 89 i approval for termination of business, etc. of shinkin bank and federation
- authorization for exception to the ceiling of credit facilities to one person by shinkin bank
- authorization for exception to the ceiling of credit facilities to one person on a consolidated basis by shinkin bank
- authorization for exemption from regulations on transactions, etc. with subsidiaries by shinkin bank federation

#### Labor Credit Association Law

- 6 license for business of labor credit association and federation
- 30 (I) authorization for extension of validity of license of labor credit association and federation
- 33 approval for change of the articles of corporation, etc. of labor credit association and federation
- 36 i approval for concurrent occupation of another post by a director, etc. of labor credit association and federation
- 48 approval for summons of an extraordinary general meeting by members of labor credit association and federation
- 58 ix approval for underwriting of government bond, etc. by labor credit association
- 58 x approval for government bond trading, etc. by labor credit association and for change thereof
- 58 xi approval for trust business by labor credit association and for change thereof
- 58-2 ii approval for taking deposits from non-members and leading loans to non-members by federation

- 58-2 vi approval for underwriting of government bond, etc. by federation
- 58-2 vii approval for government bond trading, etc. by federation and for change thereof
- 58-2 viii approval for trust business by federation and for change thereof
- approval for commission business of bonds, etc. by federation
- approval for acquisition of stock shares of security firms, etc. by federation
- approval for merger, etc. of labor credit association and federation
- authorization for extension of validity of approval
- approval for termination and dissolution of business of labor credit association and federation
- authorization for exception to the ceiling of credit facilities to one person by labor credit association and federation
- authorization for exception to the ceiling of credit facilities to one person on a consolidated basis by labor credit association and federation
- authorization for exemption from regulations on transactions, etc. with subsidiaries by federation

#### Law for Small Business Cooperatives, etc.

- 27-2 i approval for establishment of business cooperatives, etc.
- 48 authorization for summons of an extraordinary general meeting by members
- 51 ii approval for change of the articles of corporation
- 57-2 approval for change of statement of business methods, etc. of fire mutual insurance cooperatives, etc.
- 57-5 approval for relaxation of limitation on surplus funds management for fire mutual insurance cooperatives, etc.
- 62 iv approval for dissolution of fire mutual insurance cooperatives, etc.
- 63 iii approval for merger

#### Law Concerning Financial Business Conducted by Credit Cooperatives

- 3 i (1) approval for domestic exchange business
- 3 i (2) approval for underwriting of government bond, etc.
- 3 i (3) approval for security activities
- 3 i (4) approval for concurrent operation of trust business
- 3 i (5) approval for commission business of bonds, etc.
- 3 i (6) approval for taking deposits from non-members and lending loans to non-members
- 3 i (7) approval for change of sorts and methods of business
- 3 i (8) approval for transfer of an office
- 3 i (9) approval for establishment or abolishment of an agency
- 3 ii approval for change of business methods, etc. concerning security activities and for change thereof
- 3 iii approval for change of sorts and methods of trust business
- 6 i authorization for exception to the ceiling of credit facilities to one person
- authorization for exception to the ceiling of credit facilities to one person on a consolidated basis
- authorization for exemption from regulations on transactions, etc. with subsidiaries

- 7-4 approval for termination and dissolution of business  
authorization for extension of validity of approval

#### Mutual Loan Business Law

- 3 i license for mutual loan business
- 8 approval for change of basic business conditions
- 19 approval for concurrent occupation of another post by a director
- 21 approval for merger, transfer and acquisition of business
- 21-7 approval for management contract
- 21-11 iii approval for cancellation of management contract
- 27 approval for abolishment of business, etc.

#### Credit Guarantee Corporation Law

- 6 i approval for establishment
- 23 iii approval for decision on dissolution by directors
- 24 iii approval for decision on merger by directors
- 33 i approval for change of the articles of corporation or statement of business methods

#### Law Concerning Merger and Conversion of Financial Institutions

- 6 i approval for merger and conversion of financial institutions
- 6 viii approval for merger and conversion of financial institutions (in case of labor credit association)
- 17 iii authorization for exception to succession of business
- 17-2 i authorization for exception to bond issuance (in case of ordinary banks)
- 17-2 iii authorization for exception to bond issuance (in case of foreign exchange banks)
- 17-3 i authorization for exception to establishment of a business office, etc.
- 29 iii authorization for extension of validity of approval
- 29 iv authorization for extension of validity of approval (in case of labor credit association)

#### Securities and Exchange Law

- 24 i authorization of exemption from the requirement to file a securities report
- 25 iv application for exemption of registration statements, securities report, etc. from  
the public inspection
- 28 license to engage in the securities business
- 33 approval to change a state of business
- 34 approval of merger, discontinuance and dissolution, etc.
- 42 authorization for a director of a securities company to engage in the management of other companies
- 42-2 i authorization for a director or an auditor of a securities company to double as a director, an auditor, or an employee of its parent corporation
- 42-2 ii authorization for a director, an auditor or an employee of a securities company to double as a director or an auditor of its subsidiary corporation

43	authorization to engage in a business other than the securities business
43-2 i	approval to establish a bank subsidiary
50-2 i	authorization of exception to the Fire Wall measures
50-3 iii	acknowledgement of an accident as the cause of a loss
57 ii	authorization to use a reserve for trading loss
59 ii	authorization to use a reserve for liabilities arising from trading in securities
62 i	registration of representatives
64-5 iii	approval of articles of incorporation of a securities dealers association relating to registration of representatives
65-2 i	approval for a bank, trust company or other financial institutions to engage in the securities business
65-2 iv	acknowledgement of an accident as the cause of a loss for an approved financial institution
65-2 v	authorization to use a reserve for liabilities arising from trading in securities by an approved financial institution
66-5	authorization to do the business of selling securities on an installment plan
68 ii	approval to found a securities dealers association
74 ii	approval to amend articles of incorporation of a securities dealers association
76	approval of regulations of securities dealers association relating to registration of over-the-counter securities
79-19 ii	approval of resolution passed by a general meeting of a securities dealers association to dissolve itself
81 ii	license to found a securities exchange
85-2 i	approval to amend articles of incorporation, etc. of a securities exchange
97 ii	authorization of designation of securities to substitute for a membership bond
97 iii	authorization of the value of securities to substitute for a membership bond
110	authorization of listing of securities
112	authorization of delisting of securities
113	prior authorization for an issuers' delisting securities
134 ii	approval of resolution passed by a general meeting of members of an exchange to dissolve itself
156-3 i	license to run a securities finance company
156-6 i	authorization to run any business other than the business of lending money or securities to members of securities exchanges
156-7	approval to change any provision of articles of incorporation, etc. regarding to a securities finance company
156-14	approval of resolution of a securities finance company to discontinue its business or dissolve itself
174 ii	authorization to have an attorney-in-fact appear at the Ministry for the mediation
193-2 i	authorization of exemption from the requirement to obtain audit report

#### Securities Investment Trust Law

6 i	license to become a investment trust management company
9	approval to change basic items of a investment trust management company
12 i	authorization of the terms of the trust

- 14 i authorization of amendment to the terms of the trust
- 15 i authorization of cancellation of a contract of trust
- 18 i authorization to engage in any new business not related to the contract of trust
- 20-3 authorization for a director of a investment trust management company to engage in a regular affairs of another company
- 20-4 approval of discontinuance, etc. of business of investment trust management company
- 23-2 iii authorization of continuance of a contract of trust
- 24-5 approval of making or changing a regulation of the Association
- 25-2 iii authorization to extend the deadline for license or approval to carry out by investment trust management company

#### Law on Foreign Securities Firms

- 3 license for a foreign securities firm to engage in the securities business
- 10 approval to change the location of a branch of a foreign securities company, etc.
- 11 approval of assignment or acquisition by transfer of securities business and of discontinuation of securities business
- 13 i permission of a part of the underwriting business
- 17 i authorization for a director, etc. to engage in the management of other companies and/or to double as a director, etc. of a specified judicial person
- authorization to engage in business other than the securities business
- acknowledgement of an accident as the cause of a loss
- acknowledgement of exception to the Fire Wall measures
- 22 registration of representatives
- 23 authorization to use a reserve for trading loss
- authorization to use a reserve for liabilities arising from trading in securities
- 24 ii authorization to use a reserve for losses to make up for a net loss of the branch
- 27 authorization to have one's attorney-in-fact appear at the Ministry for the mediation

#### Law for Regulating Securities Investment Advisory Business

- 6 i registration of an investment adviser
- 24 approval to engage in the discretionary investment management business
- 28 approval to change in the nature and method of a discretionary investment management business
- 30 authorization for a director of a discretionary investment management company to engage in the management of other companies
- 31 authorization to engage in a business other than investment advisory business and a discretionary investment management business

#### Law Concerning Regulations of Money Lending Business

- 3 i registration of money lending business
- 3 ii change of registration of money lending business

#### Law Concerning Regulations of Mortgage Companies

- 3 registration of mortgage company

- 8 i authorization for renewal of valid term
- 27 i nomination of the Mortgage Securities Depository Corporation
- 28 ii authorization for partial entrustment of business of the Mortgage Securities Depository Corporation
- 29 i approval for business rule of the Mortgage Securities Depository Corporation and for change thereof
- 31 i approval for business plan and revenue and expenditure plan of the Mortgage Securities Depository Corporation and for change thereof
- 32 i approval for appointment and dismissal of a director of the Mortgage Securities Depository Corporation

#### Financial Futures Trading Law

- 14 license for establishment of financial futures exchange
- 17 i approval for change of the articles of corporation, etc. of financial future exchange
- 27 iii authorization for prices of securities eligible for membership deposits
- 30 ii approval for appointment and dismissal of president
- 49 ii approval for general meeting's decision to dissolve the exchange
- 56 permission for a financial futures trader
- 61 i authorization for renewal for permission for a financial future trader
- 62 approval for change of sorts and methods of business
- 82 ii authorization of utilization of liable reserves for trading

#### Law Concerning Regulations of Pre-Paid Cards

- 6 registration of the third party pre-paid card issuer

#### Law on Simplification of Business of Banks, etc

- 7 i approval for change of collateral of bonds
- 7 ii approval for change of priority of rights on collateral of bonds

#### Law Concerning Central Depository and Book-Entry Delivery for Share Certificates and Other Securities

- 3 i designation of a securities depository center
- 4 ii authorization of partial commission of a securities depository center's power
- 5 i approval of business regulation
- approval to make changes of business regulation
- 7 i approval of annual business plan
- approval to make changes of annual business plan
- 8 i approval of nomination or discharge of an officer

## 2. Cabinet Orders

#### Enforcement Order of Banking Law

- 5 ii (2) authorization for holidays based on special reasons concerning location of business offices, etc.

- 13 i authorization for compensating loss with profit reserve in foreign bank branches
- 13 iii authorization for exception to profit reserves among branches of one foreign bank

Enforcement Order of Long-term Credit Bank Law

- 6 authorization for holidays based on special reasons concerning location of business offices, etc.

Enforcement Order of Foreign Exchange Bank Law

- 6 authorization for holidays based on special reasons concerning location of business offices, etc.

Enforcement Order of Shinkin Bank Law

- 5 ii authorization for excess possession of shares of shinkin bank
- 12 ii authorization for holidays based on special reasons concerning business offices, etc. by shinkin bank and federation

Enforcement Order of Labor Credit Association Law

- 6 ii (2) authorization for holidays based on special reasons concerning location of business offices, etc.

Enforcement Order of Law Concerning Financial Business Conducted by Credit Cooperatives

- 4 ii (2) authorization for holidays based on special reasons concerning location of business office

Cabinet Order for Enforcement of the Securities and Exchange Law

- 3-5 authorization of the filing period of a securities report

Cabinet Order for Enforcement of the Law on Foreign Securities Firms

- 8 (4) authorization of cancellation or change of a contract which substitutes for depositing a performance bond
- 10 i authorization of withdrawal of a performance bond
- 10 ii authorization of withdrawal of the excess amount of a performance bond

Cabinet Order for Enforcement of the Law for Regulating Securities Investment Advisory Business

- 3 (3) authorization of cancellation or change of a contract which substitutes for depositing a performance bond
- 5 i authorization of withdrawal of a performance bond
- 5 ii authorization of withdrawal of the excess amount of a performance bond
- 7 i authorization of a period during which a foreign investment adviser shall file its business report

Enforcement Order of Financial Futures Trading Law

- 9 authorization for prolongation of submission period of business report by foreign financial futures trader

Enforcement Order of Law Concerning Regulations on Pre-Paid Cards

10 i authorization for restoration of deposit for issuance

Cabinet Order for Enforcement of the Law on Recording of Bonds

10-1 approval of a commission for recording of a corporate bond, etc.

3. Ministerial Ordinances, etc.

Enforcement Regulation of Banking Law

18 iii authorization for prolongation of submission period of interim business report and business report

Enforcement Regulation of Law Concerning Concurrent Occupation of Trust Business, etc. by Financial Institutions

7-2 ii authorization for change in content of trust business of agencies

11 iii authorization for prolongation of submission period of trust business report

13 authorization for extension of validity of approval

Enforcement Regulation of Long-term Credit Bank Law

17 iii authorization for prolongation of submission period of interim business report and business report

Detailed Enforcement Regulation of Trust Business Law

4 authorization for prolongation of validity of license

24 ii authorization for prolongation of submission period of business report

Detailed Enforcement Regulation of Secured Bonds Trust Law

26-3 i authorization for prolongation of submission period of business report

Enforcement Regulation of Foreign Exchange Bank Law

19 iii authorization for prolongation of submission period of interim business report and business report

Enforcement Regulation of Shinkin Bank Law

20 ii authorization for prolongation of submission period of business report of shinkin bank and federation

Enforcement Regulation of Labor Credit Association

16 ii authorization for prolongation of submission period of business report of labor credit association and federation

Enforcement Regulation on Law Concerning Financial Business Conducted by Credit Cooperatives

12 ii authorization for prolongation of submission period of business report

#### Detailed Enforcement Regulation on Mutual Loan Business Law

- 6 approval for excess benefit of mutual loan
- 9 authorization for extension of validity of business license
- 12 i authorization for extension of validity of approval for change of capital amount, etc.
- 12 ii authorization for extension of validity of approval for establishment of business office, etc.
- 12 iii authorization for change of location of establishment of business offices at the time of application
- 14 approval for change of location of agencies
- 15 ii authorization for prolongation of submission period of business report

#### Ordinance of the Ministry of Finance on Securities Company

- 2-2 ii authorization of not moving a place of business back to its original location within two years
- 13 ii authorization to omit whole or a part of documents relating to business

#### Ordinance of the Ministry of Finance on Foreign Security Firms

- 17-2 ii authorization of not moving a branch back to its original location within two years
- 24 iii authorization of subordinated borrowing
- 28 ii (3) recognition of asset as an appropriate holding asset in this country
- 29 authorization to omit whole or a part of documents relating to business

#### Enforcement Regulation of Financial Futures Trading Law

- 5 authorization for designation of securities eligible for member deposit

#### Enforcement Regulation of Law Concerning Regulations of Pre-Paid Cards

- 17 i approval for discharge of conservation contract of issuance deposit

#### Regulation on Deposit for Issuance of Pre-Paid Cards

- 4 approval for change of collateral for issuance

#### Ministry of Finance and Ministry of International Trade and Industry Notification No.8, 1953

- 1 i (6) authorization for possession of securities

#### Ordinance of the Ministry of Finance on Capital Adequacy for Securities Company

- 2 (5) authorization of subordinated borrowing

#### Ordinance of the Ministry of Finance on Terminology, Forms and Method of Preparation of Financial Statements, etc.

- 3 authorization of application of laws and ordinances applicable to a business other than principal business

Ordinance of the Ministry of Justice and the Ministry of Finance for Enforcement of the Law on  
Recording of Bonds

- 17-2 i permission of preservation in microfilms of a closed bond recording register
- 50-2 i authorization of form of a bond recording register

## Unfavorable Dispositions

(Article) (Dispositions [provisionally translated] )

### 1. Laws

#### Banking Law

- 26 order to suspend banking business, etc.
- 27 cancellation of banking license, dismissal order to directors, etc.
- 28 cancellation of banking license
- 29 order to conserve assets in Japan

#### Law Concerning Concurrent Operation of Trust Business, etc. by Financial Institutions

- 4 order to change business methods and suspension of operator, etc.
- 8 suspension of operation, cancellation of approval for concurrent operation

#### Long-term Credit Bank Law

- 17 order to suspend long-term credit banking business, etc.  
cancellation of license for long-term credit bank, dismissal order to directors,  
etc.  
order to conserve assets in Japan

#### Trust Business Law

- 18 order to change of business method and suspension of operation, etc.
- 19 dismissal order to directors, cancellation of license, etc.

#### Foreign Exchange Bank Law

- 11 order to suspend foreign exchange banking business, etc.  
cancellation of license for foreign exchange bank, dismissal order to directors,  
etc.  
order to conserve assets in Japan

#### Foreign Exchange and Foreign Trade Control Law

- 11-2 imposition of a limitation of authorized foreign exchange banks' foreign  
exchange position
- 13 revocation of an authorization as an authorized foreign exchange bank
- 14 ii revocation of an authorization as a money exchanger
- 23 vii direction to alter conditions of, or to suspend execution of capital transaction
- 27 x direction to alter particulars of, or to suspend execution of direct domestic  
investment
- 30 vii direction to alter particulars of, or to suspend conclusion of agreement for

importation of technology

#### Shinkin Bank Law

- 89 i order to suspend business, etc. of shinkin bank and federation cancellation of license, dismissal order of directors, etc. of shinkin bank and federation cancellation of license for shinkin bank and federation

#### Labor Credit Association Law

- 94 i order to suspend business of labor credit association or federation, etc.
- 95 i order to suspend business, dismissal order to directors, etc. of labor credit association or federation
- 95 ii cancellation of business license for labor credit association or federation

#### Law for Small Business Cooperatives, etc.

- 9-7-5 ii cancellation of registration, order to suspend business, etc. (concerning fire mutual insurance cooperatives)
- 106 i necessary order to cooperatives, etc.
- 106 ii dissolution order to cooperatives, etc.
- 106-3 order to change the way of business execution, etc.(concerning fire mutual insurance cooperatives)  
order to change basic documents(concerning fire mutual insurance cooperatives)  
cancellation of license, dismissal order to directors, etc. (concerning fire mutual insurance cooperatives)

#### Mutual loan Business Law

- 24 order to change the way of business execution and suspension of operation, etc.
- 25 order to suspend business, dismissal order of directors, etc., cancellation of license
- 26 cancellation of license for mutual loan company in suspension of business
- 28 i order to deposit asset of mutual loan company to change businesses

#### Credit Guarantee Corporation Law

- 36 i dismissal order to directors, order to suspend business, etc.
- 36 ii cancellation of approval for establishment, dismissal order to directors, etc.

#### Securities and Exchange Law

- 9 i order to file an amended registration statement due to defective form, etc.
- 10 i order to file an amended registration statement due to false description, etc.  
order to suspend the effect of registration
- 11 i order to suspend the effect of registration or shelf-registration, and extension of the period necessary for a registration statement to be effective
- 23-5 ii order to suspend the effect of a shelf-registration
- 23-9 i order to file an amended shelf-registration statement due to defective form, etc.

- 23-10 i order to file an amended shelf-registration statement due to false description, etc.
- 23-10 iii order to suspend the effect of a shelf-registration
- 23-10 v order to file an amended shelf-registration statement, and order to suspend the effect of a shelf-registration statement, due to false description in amended shelf-registration statement
- 23-11 i order to suspend the effect of registration and shelf-registration, or extension of the period necessary for these statements to be effective, due to false description in shelf-registration statement, supplementary documents, reference documents, etc.
- 24-2 i order to file an amended securities report due to defective form or false description
- 24-3 order to suspend the effect of registration statement and shelf-registration statement, or extension of the period necessary for these statements to be effective due to false description in securities report
- 24-5 iv order to file an amended semi-annual report or current report due to defective form or false description
- 27 application of the provisions *mutatis mutandis* to entities other than corporations
- 27-7 ii order to make a public notice or public announcement of corrections regarding a public notice of the commencement of tender offer
- 27-8 iii order to file an amended registration statement of tender offer due to defective form
- 27-8 iv order to file an amended registration statement of tender offer due to false description
- 27-10 ii order to file an amended statement of position due to defective form or false description
- 27-13iii order to file an amended tender offer report due to defective form or false description
- 27-29 i order to file an amended substantial share-holding report and amended report of change
- 35 i revocation of license of securities company  
order to suspend business of a securities company
- 35 ii order to discharge a director or an auditor of a securities company
- 42-2 iii order to discharge a director or an auditor of a securities company  
order to take necessary measures
- 53 ii order to publish a business report of a securities company on a newspaper
- 54 i order to change a method of business of a securities company order to suspend business of a securities company  
order to insure the effectiveness of supervision to a securities company
- 60 i order to hold in the country a part of asset of a securities company
- 64-3 i revocation of a registration of a registered representative  
order to suspend a duty of a registered representative
- 64-5 v order to a securities dealers association to revoke registration of a registered representative and to suspend a duty of a registered representative
- 65-2 iii revocation of approval of an approved financial institution

- 65-2 v order to suspend business of an approved financial institution
- order to change a method of business of an approved financial institution
- order to suspend business of an approved financial institution
- order to insure the effectiveness of supervision to an approved financial institution
- order to suspend business of an approved financial institution against nonfulfillment of a memorandum of agreement
- 72 revocation of approval to found a securities dealers association
- 79 order to a securities dealers association to revoke a registration of a over-the-counter security
- 79 ix order to a securities dealers association to discharge its officer
- 79 xii order to make changes in the articles of incorporation and other regulations of a securities dealers association
- 79 xiii revocation of approval of a securities dealers association
- order to a securities dealers association to discharge its officer
- order to a securities dealers association to suspend its business
- 85 revocation of license to found a securities exchange
- 103 order to a securities exchange to discharge its officer
- 111 order to a securities exchange to list a share for the purpose of trading
- 119 order to a securities exchange to suspend the trading of securities
- order to a securities exchange to delist a security
- 155 i revocation of license of a securities exchange for reasons of violation of the laws and regulations, etc.
- order to suspend business of a securities exchange for reasons of violation of the laws and regulations, etc.
- order to discharge a officer of a securities exchange for reasons of violation of the laws and regulations, etc.
- order to suspend purchase or sale of securities on a securities exchange for reasons violation of the laws and regulations, etc.
- 156 order to make changes in the articles of incorporation and business regulation, etc. of a securities exchange
- 156-5 revocation of license to found a securities finance company
- 156-8 order to change methods or conditions of loans of a securities finance company
- 156-10 iii order for securities finance company to dismiss its officer
- 156-12 revocation of license of a securities finance company for reasons of violation of the laws and regulations, etc.
- order to suspend business of a securities finance company for reasons of violation of the laws and regulations, etc.
- 178 order to suspend business and securities trading on the securities market against nonfulfillment of a memorandum of agreement
- 193-2 v decision not to accept audit report by a certified public accountant, etc. who have made undue audit report

#### Securities Investment Trust Law

- 22 i revocation of license for an investment trust management company
- 23 i revocation of license for an investment trust management company

- prohibition to enter into a new contract of trust, etc.
- 23-2 i order to an investment trust management company or trustee company to transfer business under a contract of trust to another investment trust management company or trustee company
- 24 order to publish in a newspaper matters concerning trust amendments, etc.
- 24-7 order to the Association to revise the articles of association or its regulation.
- 24-8 order to the Association to discharge its officer

#### Law on Foreign Securities Firms

- 8 iii order to deposit whole or a part of an amount equivalent to the contract amount
- 9 ii order to pay a considerable sum of money in remuneration to an appointed deputy manager
- 12 i revocation of license
- order to suspend business of a foreign securities company
- 12 ii order to dismiss a representative or to discharge an officer of a branch of foreign securities company
- 13 iii revocation of permission of a part of the underwriting business
- 17 i order to a foreign securities company to discharge its representative or officer or to take necessary measures
- 19 ii order to a foreign securities company to publish its business report on a newspaper
- 20 order to change a method of business of a foreign securities company
- order to suspend business of a foreign securities company
- order to insure the effectiveness of a supervision to a foreign securities company
- 22 revocation of registration of a registered representative
- order to suspend a duty of a registered representative
- 27 order to suspend business of a foreign securities company and to suspend securities trading on the securities market against nonfulfillment of a memorandum of agreement

#### Law for Regulating Securities Investment Advisory Business

- 37 i order to improve a method of business of an investment adviser
- 38 i revocation of registration of an investment adviser
- 39 i revocation of approval to engage in the discretionary investment management business
- 47 i order necessary for the supervision of activities of an association
- 48 iv order necessary for the supervision of activities of the National Federation of Securities Investment Advisers Association

#### Law Concerning Money Lending Business

- 36 i order to suspend business for money lenders
- 37 i cancellation of registration of money lenders

#### Law Concerning Regulations of Mortgage Companies

- 23 i corrective order to mortgage companies

- 24 i cancellation of registration of mortgage companies, etc.
- 29 iii order to change business rule of the Mortgage Securities Deposit Corporation
- 32 ii dismissal order to directors of the Mortgage Securities Deposit Corporation
- 35 supervisory order to the Mortgage Securities Deposit Corporation
- 36 i cancellation of nomination of the Mortgage Securities Deposit Corporation
- 42 order to incorporate with the Association of Mortgage Companies

#### Financial Futures Trading Law

- 45 limitation on financial futures trading, etc. of members
- 53 i cancellation of license for establishment of financial futures exchange, etc.
- 53 iii dismissal order to directors of financial futures exchange
- 54 i dismissal order to members, order to suspend trading
- 54 ii dismissal order to directors of members
- 55 i order to change the articles of corporation of financial futures exchange, etc.
- 78 i corrective order to financial futures traders
- 79 i cancellation of license for financial futures traders, suspension of business
- 79 iii dismissal order to directors of financial futures traders
- 83 i order to conserve assets of financial futures traders

#### Law Concerning Regulations of Pre-Paid Cards

- 13 iv order to deposit of guarantee for issuance
- 19 i corrective order to third party type pre-paid card issuer
- 20 i cancellation of registration of third party type pre-paid card issuer, etc.

#### Law Concerning Central Depository and Book-Entry Delivery for Share Certificates and Other Securities

- 5 iv order to change a business regulation
- 8 ii order to a securities depository center to discharge its officer
- 10 necessary order to supervise a securities depository center
- 12 i revocation of designation as a securities depository center

#### Law on Recording of Bonds

- 9 supervision of a recording agency of corporate bond, etc.

## 2. Cabinet Orders

#### Cabinet Order for Enforcement of the Law on Recording of Bonds

- 8 order to take adequate measures in case there is a fear that a bond recording register vanishes

## 3. Ministerial Ordinances

Enforcement Regulation of Law Concerning Regulations of Mortgage Companies  
24 the Association's corporation with Minister of Finance

Enforcement Regulation of Law Concerning Regulations of Pre-Paid Cards  
18 iv order to file a regular statement of deposit of issuance guarantee

Regulation on Deposit for Issuance of Pre-Paid Cards  
3 v order to file a regular statement of deposit of issuance guarantee

Ordinance of the Ministry of Justice and the Ministry of Finance for Enforcement of the Law on  
Recording of Bonds  
18 order to a recording agency to record

**Exemptions from Anti-Monopoly Act (AMA) in Financial Services in the Measures**

- (1) The actions of the following entities are in principle exempt from the application of the provisions of AMA as cooperatives defined in Article 24 of AMA:
  - i) shinkin banks (including federations of those) defined in Article 7 of Shinkin Bank Law;
  - ii) labor credit associations (including federations of those) defined in Article 9 of Labor Credit Association Law; and
  - iii) small business cooperatives (including federations of those) defined in Article 7 of Law for Small Business Cooperatives, etc.
  
- (2) Following associations defined by the following laws are exempt from the application of the provisions of Article 8 of AMA based upon the provision of Article 2 of the Act Concerning Exemption, etc. from the Antimonopoly Act:
  - i) Law for Small Business Cooperatives, etc. (Federation of Small Business Cooperatives);
  - ii) Shinkin Bank Law (Federation of Shinkin Banks);
  - iii) Credit Guarantee Corporation Law (Credit Guarantee Corporation);
  - iv) Financial Futures Exchange Law (Financial Futures Exchanges, Association of Financial Futures Traders); and
  - v) Securities and Exchange Law (Stock Exchanges, Securities Dealers Association).

**The Antimonopoly Act Guidelines Concerning Distribution Systems and Business Practices**  
(excerpt)

Part 1 The Antimonopoly Guidelines Concerning the Continuity and Exclusiveness of Business Practices among Firms

Chapter 4 Restrictions on Trading Partners of Dealing with Competitors

2. Restrictions on Trading Partners of Dealing with Competitors

In cases where an influential firm in a market by means of the following manners, engages in transactions with its trading partners on condition that the trading partners shall not deal with competitors of the firm or another firm having close relations with the firm or causes the trading partners to refuse to deal with those above-mentioned competitors, and if such conduct may result in reducing business opportunities of the competitors and making it difficult for them to easily find alternative trading partners, such conduct is illegal as unfair trade practices (Article 2 (Other Refusal to Deal), 11 (Dealing on Exclusive Terms), or 13 (Dealing on Restrictive Terms) of the General Designation):

- i) An influential material supplier in a market, by notifying or suggesting to its customers (manufacturers) that it intends to discontinue the supply of materials to the customers if they carry on business with other material suppliers, requests the customers not to carry on business with other material suppliers (Article 11 of the General Designation);
- ii) A finished product manufacturer influential in a market requests an influential parts manufacturer not to sell parts or to restrict the sales of parts to competing finished product manufacturers, and obtains consent from such parts manufacturer to that effect (Article 11 or 13 of the General Designation);
- iii) An influential financial firm in a market provides finance for an influential distributor on condition that the distributor exclusively deals with a manufacturer having close relations with the financial firm; or
- iv) An influential manufacturer in a market causes its customers (distributors) not to accept an offer of transactions by a specific manufacturer attempting to enter the market (Article 2 of the General Designation).

Chapter 7 Acquisition or Possession of Stocks of Trading Partners and Anticompetitive Effects

3. Exclusionary Conduct by Means or by Reason of Holding of Stocks of Trading Partners

In cases where a firm holds stocks of or is in a cross stockholding relationship with any of its

trading partners, even if the proportion of stockholding is not particularly high, the former can use its position as a stockholder to influence decision-making processes by the latter, and may thereby engage in such conduct as impairing the latter's independent judgement in selecting trading partners, etc. Furthermore, in cases where a firm has a relationship of either unilateral or cross stockholdings with its trading partners, the firm may refuse to deal with other firms having no stockholding relationship with it, with the intent of excluding them from a market. Such conduct may impair the choice of trading partners through their own independent judgement based on price, quality, service, and other transaction terms. It may also reduce business opportunities of new entrants or other firms having no stockholding relationship, and may present a problem under the Antimonopoly Act.

(1) Restrictions on trading partners' dealings with competitors by means of stockholding

In cases where an influential firm in a market, holding stocks of any of its trading partners, engages in the following types of conduct, for instance, and if such conduct may result in reducing business opportunities of competitors and making it difficult for them to easily find alternative trading partners, such conduct is illegal as unfair trade practices:

- i) An influential finished product manufacturer in a market notifies its parts supplier, whose stocks it holds, of its intention to dispose of the stocks and suspend business with the said supplier if the latter sells parts to the former's competitors who are attempting to enter the market, or makes suggestions to that effect, and thereby discourages the latter from dealing with the said competitors (Article 2 (Other Refusal to deal) of the General Designation); or
- ii) An influential manufacturer in a market, by making use of its position as a stockholder, induces its distributor, whose stocks it holds, to give consent to the effect that the latter will deal only in the former's products (Article 11 (Dealing on Exclusive Terms) of the General Designation).

(2) Refusals to deal by reason of presence or absence of stockholding relationship

It is basically a matter of freedom of choice of trading partners for a firm to decide which firm it does business with. However, in cases where an influential firm in a market, in any of the following manners, for instance, refuses to deal with other firms having no stockholding relationship with it, with a view to excluding them from the market, and if such conduct may make it difficult for the refused firm to engage in normal business activities, such conduct is illegal as unfair trade practices (Article 2 (Other Refusal to Deal) of the General Designation):

- i) An influential finished product manufacturer in a market stops purchasing from a parts manufacturer which has no stockholding relationship with it, with a view to excluding the competitors of a parts manufacturer which does have a stockholding relationship with it; or
- ii) An influential parts manufacturer having a stockholding relationship with a finished

product manufacturer, rejects a proposal for purchase of parts by a firm attempting to enter the finished product market, by reason of the absence of stockholding relationship with the parts manufacturer.