

Self-Regulation Standards on Systems for Business Execution

June 16, 2000

Resolution of the Board of Directors

Partially amended on December 18, 2002
Partially amended on September 15, 2004
Partially amended on March 23, 2005
Partially amended on July 12, 2006
Partially amended on November 28, 2007
Partially amended on March 24, 2010
Partially amended on June 15, 2012
Partially amended on July 6, 2017
Partially amended on January 27, 2021

By positioning improvement of the environment to ensure compliance with laws as one of the major issues of management of the business, a member must strive to avoid impairing confidence of the customers and damaging the social credibility in its execution of the businesses of the investment management business or the investment advisory and agency business.

1. Compliance with Laws and Regulations

- (1) Recognition of the significance of compliance and proactive participation in it by directors (representative)

A director (representative) of a member shall recognize the significance of compliance (compliance with laws and regulations) and establish basic policies on compliance and otherwise sincerely endeavor to take the initiatives and set an example in strengthening the compliance system.

- (2) Assignment of a compliance officer

A member shall assign a person responsible for comprehensively administering the situation of compliance with laws and regulations in relation to the investment management business or investment advisory and agency business, whose assignment shall be reported to the Association by way of application form for membership prescribed in Article 3 of the Rules on Membership and Notification (Resolution of the Board of Directors on March 28, 2012) and its change shall be reported to the Association by way of appended form promptly.

It should be noted that the position of this person may be concurrently served by a person coming under Article 15-4, item (i) of Order for Enforcement of the Financial Instruments and Exchange Act (hereinafter referred to as the “Enforcement Order of Financial Instruments and Exchange Act”).

- (3) Establishment of compliance division (staff in charge of compliance)

In order to strengthen the compliance system, a member shall establish the compliance division (staff in charge of compliance) as a division independent from other business divisions in light of the characteristics of its business.

- (4) Appropriate collection and management of information pertaining to laws and regulations

For improvement of the environment for compliance, a member shall from time to time appropriately collect and manage the information regarding the laws and regulations

necessary for proper performance of the investment management business or the investment advisory and agency business.

(5) Ensuring well-understanding of basic policies and laws and regulations

A member shall make much account of compliance and endeavor to ensure its officers and employees well understand the basic policies and laws and regulations pertaining to compliance by way of regularly or routinely implementing training or distributing documents to them or other appropriate measures.

(6) Monitoring of status of compliance with laws and regulations

A member shall regularly or routinely check the situation of implementation of compliance, etc.

2. Internal Audit

In order to enhance internal audit function, a member shall implement, on a regular basis or routine basis, internal audits (which covers the compliance division (staff in charge of compliance) as well) by a division (staff in charge) independent from other business divisions in light of the characteristics of its business.

3. Appropriate Management of Information

(1) Information concerning the customers

- (a) A member shall strictly manage the information concerning its customers that has come to be known to its officers and employees such as the information concerning the status of assets, and may not leak the same to any other persons.
- (b) Taking into account the purport of Article 41 or Article 42 of the Financial Instruments and Exchange Act (hereinafter referred to as the “FIEA”), a member shall, after fully examining from the viewpoint of confidentiality obligation, etc., shall establish rules, etc. regarding management of the customer information and ensure proper operation of those rules, and thereby endeavor to thoroughly manage the information concerning the customers.

Especially, in regard of the personal information of the customers, a member must implement measures, etc. prescribed in the Procedural Guidelines on the Protection of Personal Information (Resolution of the Board of Directors of March 23, 2005), while paying attention to the necessity to ensure appropriate treatment based upon the provisions of Cabinet Office Order on Financial Instruments Business, etc. (hereinafter referred to as “FIB Cabinet Office Order”), the Act on the Protection of Personal Information, Cabinet Order to Enforce the Act on the Protection of Personal Information, Enforcement Rules for the Act on the Protection of Personal Information, Basic Policy on the Protection of Personal Information, the Guidelines on the Act on the Protection of Personal Information (Volumes on of General Rules, Provision to a Third Party in a Foreign Country, Record-keeping Obligations upon Third-Party Provision, and Anonymously Processed Information), and the Guidelines for Protection of Personal Information in the Finance Sector and Operational Instructions on the Security Control Measures, etc. Based on the Guidelines for Protection of Personal Information in the Finance Sector.

Further, if a case of leakage of the personal information, etc. occurs, it shall be immediately reported to the supervisory authority and a notification of the contents of that report must be submitted to the Association.

(2) Information on investment management business or investment advisory and agency business

A member must handle cautiously the information concerning its investment decisions pertaining to the investment management business or investment advisory and agency business or information on the trends of purchase or sale of the securities (excluding provision of information incidental to trade inquiries, etc.) so that the interests of the customer are not prejudiced as a result of leakage of the information.

(3) Information pertaining to two or more businesses

If a member engages in a business pertaining to two or more business categories (referring to the business categories specified in Article 29-2, paragraph (1), item (v) of FIEA), it must appropriately manage the information obtained during the course of each of the businesses.

(4) Preemptive prevention of insider trading

In order to preemptively prevent insider trading, a member must establish internal rules incorporating the matters set forth in the Guidelines on Prevention of Insider Trading (Resolution of the Board of Directors on September 28, 1988).

4. Provisions concerning Dispositions (Disciplinary Punishments)

A member shall establish provisions concerning dispositions (disciplinary punishments) under the internal rules (such as the rules of employment) that are applicable when any violation is committed against laws and regulations, and apply those provisions strictly and fairly.

5. Clarification of Contents of Contracts

When concluding a discretionary investment contract, a member shall make every effort to have the investment and management policies agreed upon with the relevant customer explicitly stated in the contract, and endeavor to obtain the customer's written confirmation on how the orders pertaining to the asset management be placed.

Supplementary Provisions

1. These Standards comes into effect as of August 1, 2000.
2. The resolution of the Board of Discretionary Investment Sub-committee (report to the Board of Directors) dated February 26, 1992, "Self-regulations Standards to Ensure Autonomy of Discretionary Investment Companies," shall be abolished as of August 1, 2000.

Supplementary Provisions (December 18, 2002)

This amendment comes into effect as of December 18, 2002.

(Note)

Amended provisions are as follows:

- (1) The preamble is amended (new preamble is created, with the former preamble appended as “Reference”);
- (2) 1., 2. and 3. are amended, and
- (3) 4. and 6. are deleted.

Supplementary Provisions (September 15, 2004)

This amendment comes into effect as of September 15, 2004.

(Note)

Amended provisions are as follows:

- (1) Preamble is amended;
- (2) 3. is amended ((1) (a) is amended to (1) (a) and (b); (1) (b) is amended to (2); (2) is amended to (3); and (3) is moved down to (4)); and
- (3) Detailed Regulations are amended (paragraph (4) and paragraph (5) are amended; and old paragraph (6) is deleted and paragraph (6) is newly established.)

Supplementary Provisions (March 23, 2005)

This amendment comes into effect as of April 1, 2005.

(Note)

Amended provisions are as follows:

- (1) 3. is amended; and
- (2) Detailed Regulations are amended (paragraph (4) is amended).

Supplementary Provision (July 12, 2006)

This amendment comes into effect as of July 12, 2006.

(Note)

Amended provision is as follows:

- (1) 4. is amended.

Supplementary Provisions (November 28, 2007)

This amendment comes into effect as of November 28, 2007.

(Note)

Amended provisions are as follows:

- (1) Preamble is amended;
- (2) 1. (2) and (4) are amended;
- (3) 3. (1) (b), (2) and (3) are amended; and
- (4) Detailed Regulations are amended (paragraphs (1), (4), (5) and (6) are amended).

Supplementary Provision (March 24, 2010)

This amendment comes into effect as of March 24, 2010.

(Note)

Amended provision is as follows:

1. (2) is amended.

Supplementary Provisions (June 15, 2012)

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

(Note)

Amended provisions are as follows:

- (1) 1. (2) is amended; and
- (2) Appended form is amended.

Supplementary Provisions (July 6, 2017)

This amendment comes into effect as of July 6, 2017.

(Note)

Amended provisions are as follows:

- (1) 3. (1) (b) is amended; and
- (2) Detailed Regulations are amended (paragraph (4) is amended).

Supplementary Provisions (January 27, 2021)

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

(Note)

Amended provisions are as follows:
Revise Appended Form.

Detailed Regulations

No.	Related Provisions	Details
1	1. (1)	<ul style="list-style-type: none"> ○ The term “laws and regulations” refer to FIEA, the Order for Enforcement of the Financial Instruments and Exchange Act, FIB Cabinet Office Order and other relevant laws and regulations, the rules of self-regulations of the Association, and the internal rules of each member, etc. that the members of the Association are required to comply with.
2	1. (3) and 2.	<ul style="list-style-type: none"> ○ If a member has only a small number of officers and employees and it is difficult for it to assign staff in charge who is dependent from each business division, the staff in charge may concurrently serve other positions.
3	2.	<ul style="list-style-type: none"> ○ The term “internal audit” refers to the system of audit conducted by the internal audit staff for the purpose of internal control including control of organization, internal checking and compliance.
4	3. (1) (a) (b)	<ul style="list-style-type: none"> ○ The term “information concerning the customers” refers to information as regards the status of asset of a customer that has come to be known in relation of the contracts with the relevant customer (see sample contract provided by the Association). ○ The term “personal information” refers to information about a living individual which can identify the specific individual (including such information as will allow easy reference to other information and will thereby enable the identification of the specific individual) or which includes the individual identification code. The term “information about an individual” refers not only to information that identifies a specific individual such as name, address, gender, date of birth or image of the face but also to any and all information that indicates a fact, judgement or evaluation concerning the bodily features, assets, type of business, title or other attributes of an individual, including evaluation information and information made public by public literature, etc. as well as information in the form of image or sound, whether protected by way of encryption or otherwise. The term “individual identification code” refers to characters, numbers, symbols, or other codes specified in Article 1 of the Cabinet Order to Enforce the Act on the Protection of Personal Information as sufficient by itself to identify a specific individual. ○ The term “necessity to ensure appropriate treatment” includes a state where the measures necessary and appropriate for the prevention of the leakage, loss, or damage of the personal information, in connection with the security management of the personal information, supervision of the officers and employees and the supervision of the entrusted party if the handling of the personal information is to be entrusted (Article 123, paragraph (1),

5	3. (2)	<p>item (vi) of FIB Cabinet Office Order), and a state where measures are to be implemented to ensure that the sensitive information will not be used for any unintended purposes (Article 123, paragraph (1), item (vii) of FIB Cabinet Office Order).</p> <ul style="list-style-type: none"> ○ The term “a case of leakage” includes a case of loss or damage. It should be noted that, in some cases, reporting to the police or other law enforcement authority will be necessary. The notification to the Association shall be made after excluding the information which will enable identification of a specific individual from the report. ○ The “information on investment management business or investment advisory and agency business” refers to the information set forth below: <ol style="list-style-type: none"> 1. Information regarding the investment decisions or purchase or sale of the securities in the investment management business or investment advisory and agency business; 2. Information concerning “the value, etc. of Securities” or “the investment decisions that are grounded in an analysis of the values, etc. of Financial Instruments” set forth in Article 2, paragraph (8), item (xi) of FIEA; and 3. Information concerning investment set forth in Article 2, paragraph (8), item (xii) or item (xv) of FIEA.
6	3. (3)	<ul style="list-style-type: none"> ○ When it is required to “appropriately manage” certain information, it does not necessarily require organizational separation of service for, or prohibition of concurrently holding offices for, two or more business categories, but if there are provisions in the laws and regulations, etc., that set forth otherwise, those provisions shall apply.
7	5.	<ul style="list-style-type: none"> ○ The term “investment and management policies” refers, for example, to any of the matters set forth below: <ol style="list-style-type: none"> 1. Matters concerning the investment targets and limit of incorporation <ol style="list-style-type: none"> (1) Products that may be the targets of investment, and product whose acquisition is prohibited; (2) Limit of incorporation; (3) Whether or not futures transactions, etc. may be handled, purposes, kinds and scope of open contracts; and (4) Other matters. 2. Matters concerning purposes and needs of investment of the customers <ol style="list-style-type: none"> (1) Basic stance toward risks and returns; (2) Method to measure performance of the investment, scale for the returns, scale for the risks, and benchmarks; and (3) Other matters. 3. Matters concerning the method of investment <ol style="list-style-type: none"> (1) Active investment or passive investment; (2) Asset allocation; (3) Sectorial distribution, selection of issues; and (4) Other matters. <p>Upon concluding a contract, efforts shall be made to confirm the customer’s intention regarding the matters set forth above, and if agreement is reached with the customers regarding the “matters concerning the investment targets and limit of incorporation,” those</p>

8	5.	<p>matters should be stated explicitly in the written contract or detailed provisions of the contract or other similar document, and, along with the foregoing, upmost efforts should be made to specifically state the “matters concerning purposes and needs of investment of the customers” and the “matters concerning the method of investment” in aforementioned documents to the maximum extent possible if and when it is, or it becomes, possible to do so.</p> <ul style="list-style-type: none"> ○ Although the method to confirm intention of the customer regarding “how the orders pertaining to the investment management be placed” is left to the discretion of the member, it is important to offer opportunities to the customers to express their intention, and, by way of example, it is desirable to provide a space on the order form with such an indication that “Please indicate your instructions, if any, in relation to how to placement of order, etc.”
---	----	---

(Reference)

Self-Regulation Standards on Systems for Business Execution
(Resolution of the Board of Directors on June 16, 2000)

Self-Regulation Standards to Ensure Autonomy of Discretionary Investment Companies established by the resolution of the Board of Discretionary Investment Sub-committee dated February 26, 1992 aimed at securing independence of business management of the discretionary investment companies and consolidate business management of this industry, based upon the recommendation of Study Group on Consolidation of Business Management issued in December 1991.

Their basic approach is set at preparing and establishing a responsibility-allocation system within a discretionary investment company that will enable it to exercise independent business judgements and investment judgements as an “institution specializing in management of investment for the investors,” with purposes that are different from those of its parent corporation.

However, following the abolition of the “standards pertaining to capital relationship” led by the amendment of the Antimonopoly Act, etc., the application of the “standards pertaining to relationship of human resources” came to be similarly abolished on the premise of the examination of desired form of business execution system, in line with the transition of the financial administration from regulating organizations by types of business categories to regulating actions with focus on service.

As a result of discussions at the Self-Regulatory Committee and the review meeting for self-regulation rules established as its substructure in FY1999, it was concluded effective to establish self-regulation rules concerning the business execution system concerning not only the members of the Discretionary Investment Sub-committee but all members that include, among others, the members that specialize in the investment advisory services, reflecting the transition in the approach from “independence as a corporate body” to “independence in business execution” while maintaining the traditional basic approach. In accordance with the foregoing, the “standards pertaining to relationship of human resources” were abolished and other various rules were to be incorporated in the new rules.

As regards the matters mentioned in the Appendix, it is a mutual agreement among the members that each member strives to have their purports thoroughly understood by its officers and employees so that it can make necessary arrangement for, and ensure compliance with, those matters according to the characteristics and actual state of its own business.

(Appended Form)

Notification of Change of Compliance Officer

Date:

To: Japan Investment Advisers Association

It is hereby notified that the compliance officer was changed as follows:

	After Change	Before Change
Name and title:		

(Effective date of change:)

Trade name or name:

Name:
(Name of the registered
representative in the
case of a corporation)

Membership no.: —