

## **(Translation)**

This is an unofficial translation of the Statement of Operational Procedures for Japanese Banks' Payment Clearing Network. Only the original Japanese text has legal effect, and this translation is to be used solely as a reference material to aid in the understanding of the Japanese text.

### **Statement of Operational Procedures for Japanese Banks' Payment Clearing Network**

#### **Chapter 1 General Provisions**

##### Article 1 (Purpose)

Pursuant to the provisions of Article 71 of the "Payment Services Act" (Act No. 59 of 2009; hereinafter referred to as the "Act"), this Statement of Operational Procedures sets forth the basic matters on how Japanese Banks' Payment Clearing Network (hereinafter referred to as the "Association") shall engage in the Funds Clearing Business (meaning the funds clearing business as defined in Article 2, Paragraph (5) of the Act; the same to apply hereinafter) and other business operations (hereinafter referred to as the "Funds Clearing Business, etc.") in operating a domestic funds transfer system.

##### Article 2 (Domestic Funds Transfer System)

- (1) The Association shall engage in fair and appropriate operation and management of a system for domestic exchange transactions between the Member Banks stipulated in Article 5 (hereinafter referred to as the "Funds Transfer Transactions") and for clearing, etc. of the credits and debts associated with such transactions (Domestic Funds Transfer System; hereinafter referred to as the "Funds Transfer System").
- (2) The Association shall engage in operation and management of the clearing, etc. of costs (hereinafter referred to as "Domestic Funds Transfer System Operational Costs") paid by sender banks (entrusting bank in the case of collection) to receiving banks (entrusted bank in the case of collection) in Funds Transfer Transactions.
- (3) The Domestic Funds Transfer System Operational Costs in the preceding paragraph shall appropriately reflect the expenses, etc. required for the handling of Funds Transfer Transactions as a receiving bank (entrusted bank in the case of collection), be at a reasonable level under normal social conventions for users of Funds Transfer Transactions, and be determined with the approval of the board of directors.
- (4) The Association shall engage in operation and management of the Zengin Data

Telecommunications System (hereinafter referred to as the “Zengin System”) and the Zengin EDI system.

- (5) The Zengin System referred to in the preceding Paragraph is composed of the system handling the Funds Transfer Transactions during core time for which hours are separately stipulated by the Association (hereinafter referred to as the “Core Time System”), system handling the Funds Transfer Transactions during more time for which hours are separately stipulated by the Association (hereinafter referred to as the “More Time System”), information system and other systems.
- (6) The Association shall set forth the handling of Funds Transfer Transactions in the Rules on Operation of Funds Transfer System, the handling of clearing of the credits and debts associated with such transactions in this Statement of Operational Procedures, the specific handling of the operation of the Zengin System in the Rules on Use of Zengin System and the specific handling of the operation of the Zengin EDI System in the Rules on Use of Zengin EDI System, as well as in the respective related provisions.

#### Article 3 (Transactions Subject to Clearing)

The transactions from which debts arise that are subject to the Association’s Funds Clearing Business (hereinafter referred to as the “Transactions Subject to Clearing”) shall be the Funds Transfer Transactions stipulated in the preceding Article that used the Zengin System, excluding transactions that are separately stipulated as those that are not accompanied by funds clearing; provided, however, that Funds Transfer Transactions between the Financial Institutions Outsourcing Settlement Agency (meaning the financial institutions outsourcing settlement agency as defined in Article 5; the same to apply hereinafter) and the Financial Institutions Entrusted with Settlement Agency (meaning the Clearing Participants (i.e. the clearing participants as defined in Article 5) entrusted with settlement agency from said Financial Institutions Outsourcing Settlement Agency; the same to apply hereinafter) and Funds Transfer Transactions between the Financial Institutions Outsourcing Settlement Agency with the same the Financial Institutions Entrusted with Settlement Agency shall not be Transactions Subject to Clearing.

#### Article 4 (Holidays, etc.)

- (1) The holidays of the Association shall be the days listed as follows:
  - (i) Holidays set forth in the Act on National Holidays (Act No. 178 of 1948);
  - (ii) Days from December 31 to January 3 of the following year (except for the days

- listed in the preceding Item); and
- (iii) Saturdays and Sundays.
- (2) Notwithstanding the provisions of the preceding Paragraph, the Association may also execute the necessary operations on holidays.

## **Chapter 2 Member Banks**

### **Section 1 General Rules**

#### Article 5 (Type of Member Banks)

Member Banks shall refer to financial institutions (including the funds transfer service providers stipulated in Article 2, Paragraph (3) of the Act; the same to apply hereinafter) that have acquired the qualification stipulated in Article 9 and that use the Funds Transfer System, and shall comprise of the following two types.

(i) Clearing Participants:

Financial institutions performing funds transfer settlement with the Association via current accounts at the Bank of Japan

(ii) Financial Institutions Outsourcing Settlement Agency:

Financial institutions outsourcing funds transfer settlement to Clearing Participants (Clearing Participants to which funds transfer settlement is outsourced shall be limited to one per Financial Institution Outsourcing Settlement Agency)

#### Article 6 (Associate Members)

- (1) In addition to the Member Banks, the Association may, subject to approval of the board of directors, approve the participation of associate members as those that do not use the Funds Transfer System but use the Zengin System.
- (2) The Bank of Japan shall participate as an associate member.

### **Section 2 Member Banks**

#### Article 7 (Requirements for Membership Qualification)

Parties eligible to acquire the qualification to become a Member Bank (hereinafter referred to as the “Membership Qualification”) or succeed to such shall be limited to parties that fully correspond to each of the following items.

- (i) Deposit-taking financial institutions or funds transfer service providers engaging

in domestic funds transfer operations as banking, etc. businesses

- (ii) Financial institutions having a separately prescribed financial foundation and system

Article 8 (Application for Acquisition of Membership Qualification)

- (1) A party seeking acquisition of the Membership Qualification must file an application with the Association pursuant to the provisions stipulated by the Association.
- (2) A party, not satisfying the requirements of the preceding Article at the time of application but which is expected to satisfy those requirements by the membership date stipulated in Paragraph (2) of the following Article, may have another Clearing Participant file an application to acquire the Membership Qualification on its behalf. In this case, such Clearing Participant shall submit the document or electronic record separately stipulated by the Association.

Article 9 (Acquisition of Membership Qualification)

- (1) A party that has filed the application stipulated in the preceding Article shall acquire Membership Qualification upon completion of the following procedures:
  - (i) Approval of the board of directors;
  - (ii) Payment of the joining fee in accordance with the separately-stipulated criteria; and
  - (iii) Submission of the separately-stipulated document or electronic record.
- (2) The approval of Item (i) of the preceding Paragraph shall be made by designating a date on which to start Funds Transfer Transactions as a Member Bank (hereinafter referred to as the "Membership Date").
- (3) The board of directors may attach conditions in providing the approval in Paragraph (1), Item (i).

Article 10 (Notice of New Member Bank)

In the event of acquisition of the Membership Qualification provided in the preceding Article, the Association shall notify all Member Banks and the Bank of Japan of such new Member Bank's name, representative, location and Membership Date.

Article 11 (Succession of Membership Qualification)

- (1) If a Member Bank falls under any of the following Items, the financial institution stipulated in each concerned Item may succeed to such Member Bank's Membership Qualification; provided, however, that a Member Bank may not succeed its

Membership Qualification to more than one financial institution.

- (i) In the case of merger with another Member Bank resulting in the establishment of a new financial institution, the financial institution established as a result of the merger;
  - (ii) In the case of merger with a financial institution that is not a Member Bank (hereinafter referred to as the “Non-Member Bank”) resulting in the establishment of a new financial institution, the financial institution established as a result of the merger;
  - (iii) In the case of merger with a Non-Member Bank resulting in the Non-Member Bank surviving the merger, the financial institution surviving the merger;
  - (iv) In the case of a split or transfer of operations or business resulting in succession or assignment of operations or business in whole to one other Non-Member Bank (provided, however, that a newly-established financial institution in this Item or the following Item shall be included), the financial institution succeeding to or receiving the operations or business in whole;
  - (v) In the case of a split or assignment of operations resulting in the succession or assignment of operations in part to a Non-Member Bank that is the subsidiary, a Non-Member Bank that is the parent company or a Non-Member Bank that is the parent company’s subsidiary of the concerned Member Bank, the financial institution succeeding or receiving the operations in part;
  - (vi) In the case of an assignment of operations, etc., stipulated in the Deposit Insurance Act resulting in the succession of domestic funds transfer business operations to another financial institution, the financial institution succeeding to the domestic funds transfer business operations pursuant to the provisions of the Deposit Insurance Act; or
  - (vii) In other cases approved by the board of directors, a financial institution approved by the board of directors.
- (2) In the event of succession of the Membership Qualification stipulated in the preceding Paragraph, the Association shall notify all Member Banks and the Bank of Japan of such succeeding Member Bank’s name, representative, location and Membership Date.

Article 12 (Joining Fee)

A new member of the Funds Transfer System must pay the joining fee in accordance with the separately-stipulated criteria.

Article 13 (Contribution to Expenses)

Member Banks must share the expenses required for operating the Association in accordance with the separately-stipulated criteria.

Article 14 (Return of Joining Fee, etc.)

The joining fee and contribution to expenses paid in as stipulated in the preceding two Articles shall not be returned.

Article 15 (Reporting)

(1) In addition to the case of a Member Bank falling under any of Items (i) through (iv) of Article 16, Paragraph (2), if a Member Bank is to fall under other cases stipulated by the Association, such Member Bank must report to the Association such content in advance pursuant to the provisions stipulated by the Association; provided, however, that, if the Member Bank is not able to report in advance due to unavoidable circumstances, the Member Bank shall report subsequently without delay.

(2) In addition to the preceding paragraph, for the purpose of confirming the status of a Member Bank's compliance with this Statement of Operational Procedures or confirming that the case does not fall under or has no risk of falling under the circumstances prescribed in each of the items in Article 16, Paragraph (2) or each of the items in Article 19, or for the sake of stable operation of the Funds Transfer System, the Association may periodically request the Member Bank to report and submit materials to the extent necessary.

Article 15-2 (Notification, etc.)

As for funds transfer service providers who are members as Financial Institutions Outsourcing Settlement Agency, the provisions of Article 31, Paragraphs (1) through (7) and Article 32 shall apply mutatis mutandis. In this case, "Clearing Participants" shall be deemed to be replaced with "funds transfer service providers who are members as Financial Institutions Outsourcing Settlement Agency."

Article 16 (Loss of Membership Qualification)

(1) Member Banks may lose Membership Qualification by obtaining approval of the board of directors.

(2) In addition to the preceding Paragraph, if a Member Bank falls under any of the following Items, such Member Bank shall lose its Membership Qualification:

(i) Commencement of bankruptcy proceedings (including equivalent proceedings filed overseas; the same to apply hereinafter);

- (ii) Dissolution;
- (iii) No longer satisfying the requirements stated in Article 7, Item (i);
- (iv) Succession of Membership Qualification by another financial institution in accordance with Article 11; or
- (v) Expulsion as stipulated in Article 19.

Article 17 (Application for Loss of Membership Qualification)

A Member Bank seeking loss of Membership Qualification in accordance with the provisions of Paragraph (1) of the preceding Article must file an application for loss of Membership Qualification pursuant to the provisions stipulated by the Association.

Article 18 (Approval of Loss of Membership Qualification)

Approval of loss of Membership Qualification shall take place by the Association designating a certain future date and the Membership Qualification concerned shall be lost as of that date.

Article 19 (Resolution on Expulsion)

If a Member Bank falls under any of the following Items, such Member Bank may be expelled from the Funds Transfer System by resolution of the board of directors. In this case, the Member Bank must be provided with an opportunity for providing an explanation prior to the resolution.

- (i) If a Member Bank fails to pay contribution to expenses;
- (ii) If a Member Bank engages in an act that undermines the credibility of the Association or other Member Banks;
- (iii) If there is a fact whereby a Member Bank's operations are found to be in a critical condition; or
- (iv) If a substantial period of time has passed since measures to temporarily suspend use of the Funds Transfer System stipulated in Article 21 were imposed on a Member Bank.

Article 20 (Notice of Loss of Membership Qualification)

If Membership Qualification is lost in accordance with Article 16, Paragraph (2) or if loss of Membership Qualification is approved in accordance with Article 18, the Association shall immediately notify the party that has lost Membership Qualification, all Member Banks and the Bank of Japan to that effect.

Article 21 (Temporary Suspension of Use of the Funds Transfer System)

(1) If a Member Bank temporarily suspends use of the Funds Transfer System due to temporary closure, etc., such Member Bank shall immediately submit a notification to that effect to the Association pursuant to the provisions stipulated by the Association. In this case, if such Member Bank is unable to submit such notification, the Association may treat such notification as having been submitted by way of verifying the notification/order, etc., pertaining to the temporary closure, etc.

(2) In addition to Article 38 and Article 56, Paragraph (6), if a Member Bank falls under any of the grounds separately stipulated by the Association, the Association may impose measures on such Member Bank to temporarily suspend use of the Funds Transfer System.

(3) With regard to Member Banks that have submitted a notification on temporary suspension of the Funds Transfer System in accordance with Paragraph (1) (including Member Banks treated as having submitted such notification) or Member Banks on which the Association has imposed measures on temporary suspension in accordance with the preceding Paragraph, the Association shall temporarily suspend any Funds Transfer Transactions that such Member Banks have with other Member Banks and immediately notify all Member Banks and the Bank of Japan to that effect.

Article 22 (Approval of Resumption of Use from Temporarily Suspended Use of the Funds Transfer System)

(1) If a Member Bank that has temporarily suspended use of the Funds Transfer System resumes use of the Funds Transfer System, such Member Bank shall submit a notification to that effect to the Association and obtain its approval.

(2) If such Member Bank has been approved to resume the use of the Funds Transfer System, the Association shall immediately notify all Member Banks and the Bank of Japan to that effect.

**Section 3 Clearing Participants**

Article 23 (Application for Acquisition of Clearing Qualification)

A party seeking acquisition of the qualification to participate in the Funds Transfer System as a Clearing Participant (hereinafter referred to as the “Clearing Qualification”), including the Financial Institution Outsourcing Settlement Agency seeking acquisition of the Clearing Qualification, must file an application with the Association pursuant to the provisions stipulated by the Association.



Article 24 (Acquisition of Clearing Qualification)

- (1) A party that has filed the application provided in the preceding Article shall acquire Clearing Qualification upon completion of the following procedures; provided, however, that, in this case, the foregoing shall be subject to the condition that Membership Qualification has already been acquired or Membership Qualification is acquired simultaneously with the Clearing Qualification.
  - (i) Approval of the board of directors  
Provided, however, that this shall be subject to approval of current account transactions with the Bank of Japan at the branch performing funds transfer settlement;
  - (ii) Payment of the joining fee in accordance with the separately-stipulated criteria; and
  - (iii) Submission of a written pledge to comply with the statement of operational procedures as a Clearing Participant.
- (2) The approval referred to in the preceding Paragraph shall be made by designating a date on which to start transactions under the Funds Transfer System as a Clearing Participant (hereinafter referred to as the “Clearing Transaction Start Date”).
- (3) In the event of approval of the acquisition of the Clearing Qualification pursuant to the provisions of Paragraph (1), the Association shall notify all Member Banks and the Bank of Japan of the relevant party’s name, representative, location and Clearing Transaction Start Date.
- (4) The notice to the Bank of Japan referred to in the preceding Paragraph shall be made by the time separately stipulated by the Association and the Bank of Japan.
- (5) When providing the approval in Paragraph 1, Item (i), the board of directors may attach conditions, in addition to the conditions prescribed in the proviso to the said paragraph and the proviso to the said item.

Article 25 (Succession of Clearing Qualification)

- (1) The provisions of Article 11 shall apply mutatis mutandis with respect to succession of a Clearing Participant’s Clearing Qualification.
- (2) The Association shall notify the Bank of Japan of the Clearing Transaction Start Date for the party succeeding to the Clearing Qualification by the time separately stipulated by the Association and the Bank of Japan.

Article 26 (Clearing Participant Representative)

- (1) A Clearing Participant shall appoint one person appropriate to represent it at the Association, which it shall appoint from among its officers with authority of representation (where the Clearing Participant is an entity established under the laws and regulations of a foreign state, the person serving as representative in Japan, and a position that is equal to or higher than an officer), as Clearing Participant representative and must notify the Association in advance pursuant to the provisions stipulated by the Association.
- (2) For relationships with Clearing Participants and with the Association, only the Clearing Participant representative shall represent such Clearing Participant.

Article 27 (Person in Charge of Funds Clearing Business Operations)

A Clearing Participant shall appoint one person in charge of Funds Clearing Business Operations, which it shall appoint from among its officers or employees, to oversee business operations pertaining to the Funds Clearing Business, etc., with the Association pursuant to this Statement of Operational Procedures and must notify the Association thereof pursuant to the provisions stipulated by the Association.

Article 28 (Cooperative Relationship or Controlling Relationship with Officers or Others)

- (1) If the Association recognizes the cooperative relationship or controlling relationship with officers of a Clearing Participant or others as being inappropriate in light of the operation of the Funds Clearing Business, etc., of the Association, the Association shall have the capacity to demand, with the reasons thereof presented, that change be made after providing such Clearing Participant with an opportunity for providing explanations; provided, however, that if the Clearing Participant has submitted a written statement, the opportunity for providing explanations may be substituted by such submission.
- (2) If a Clearing Participant refuses the opportunity for providing explanations referred to in the preceding Paragraph without a justifiable reason, the Association shall have the capacity to demand change as stipulated in the preceding Paragraph without the opportunity for providing explanations.
- (3) If a Clearing Participant considers the demand for change referred to in Paragraph (1) to be unreasonable, the Clearing Participant may claim an objection in writing or in an electronic record, with the reasons thereof presented therein, against the Association within ten days of the date on which notice of the demand for change was

received.

(4) If the Association receives the objection claim under the preceding Paragraph, the Association shall hold a meeting of the board of directors without delay.

(5) If the meeting of the board of directors referred to in the preceding Paragraph recognizes change or cancellation of the demand for change referred to in Paragraph (1) as being appropriate, the Association shall immediately change or cancel the demand for change stipulated in said Paragraph.

Article 29 (Prohibition on Assignment of Rights, etc.)

A Clearing Participant may not assign to any party, make arrangements for assignment, or pledge as collateral the rights or claims against the Association under this Statement of Operational Procedures.

Article 30 (Indemnification)

Even if a Clearing Participant incurs any damage concerning the Funds Clearing Business, etc., with the Association, the Association shall not be liable to provide compensation for such damage unless it is found to have been willful or gross negligence on the part of the Association.

Article 31 (Matters to be Notified)

(1) If a Clearing Participant intends to carry out any of the following acts, the Clearing Participant must notify the Association in advance pursuant to the provisions stipulated by the Association.

- (i) Abolishment of business (limited to those pertaining to Funds Transfer Transactions; the same to apply hereinafter);
- (ii) Assignment of business;
- (iii) Merger in the event of merger with another party, resulting in it surviving the merger;
- (iv) Succession of business from another entity due to split;
- (v) Acquisition of business;
- (vi) Change of trade name or name (including the trade name or name in English; the same to apply hereinafter);
- (vii) Change of location of the head office or principal office; or
- (viii) Change of Clearing Participant representative or person in charge of Funds Clearing Business Operations.

(2) In the event of attachment or provisional attachment of credits that a Clearing

Participant has of another Clearing Participant or credits that a Clearing Participant acquires from the Association through the assumption of debts stipulated in Article 49, Paragraph (1) or in the event of suspension of payments or petition for commencement of bankruptcy proceedings, rehabilitation proceedings or reorganization proceedings (each including equivalent proceedings filed overseas) filed with respect to a Clearing Participant, the Clearing Participant must immediately notify the Association of the details thereof pursuant to the provisions stipulated by the Association.

Article 32 (Submission of Materials)

If the Association considers it necessary for an investigation of a Clearing Participant's status of compliance with this Statement of Operational Procedures or in other cases in which the Association considers it necessary in light of operation of the Funds Clearing Business, etc., of the Association, the Association may demand, with the reasons thereof presented, that the Clearing Participant submit reports or materials of the Clearing Participant that would serve as reference concerning the business or assets pertaining to the Funds Clearing Business, etc., of the Association.

Article 33 (Loss of Clearing Qualification)

- (1) Clearing Participants may lose Clearing Qualification by obtaining approval of the Association.
- (2) In addition to the preceding Paragraph, if a Clearing Participant falls under any of the following Items, such Clearing Participant shall lose Clearing Qualification. Furthermore, in the case of Item (i), Membership Qualification is also simultaneously lost.
  - (i) Non-payment of the amount of funds transfer settlement (meaning the funds transfer settlement amount stipulated in Article 45; the same to apply hereinafter)  
Provided, however, that, if the Association considers that there are special circumstances, the Association may keep the Clearing Qualification and Membership Qualification from being lost.
  - (ii) Cancellation of current account transactions with the Bank of Japan at the branch performing funds transfer settlement
  - (iii) Loss of Membership Qualification stipulated in Article 16
- (3) The "special circumstances" referred to in Item (i) of the preceding Paragraph include the following cases:
  - (i) In the case that the Association has verified, based on a request from a Clearing

Participant, that a Clearing Participant's non-payment of the funds transfer settlement amount is temporary, due to system failure or disaster or other accidental event; and

- (ii) In the case that a Clearing Participant has received an "order for management of business and assets by a financial administrator" stipulated in Article 74 of the Deposit Insurance Act and a petition for commencement of civil rehabilitation proceedings has been filed, and such Clearing Participant has filed the separately-stipulated continuous participation application with the Association.

(4) If a Clearing Participant, which did not lose Clearing Qualification because it fell under the Items of the preceding Paragraph, still does not pay the funds transfer settlement amount even after it no longer falls under the Items of the preceding Paragraph, such Clearing Participant shall lose Clearing Qualification and Membership Qualification in accordance with the main clause of Paragraph (2), Item (i).

Article 34 (Application for Loss of Clearing Qualification)

A Clearing Participant seeking loss of Clearing Qualification in accordance with the provisions of Paragraph (1) of the preceding Article (including when it seeks to become a Financial Institution Outsourcing Settlement Agency) must file an application for loss of Clearing Qualification pursuant to the provisions stipulated by the Association.

Article 35 (Approval of Loss of Clearing Qualification)

Approval of loss of Clearing Qualification shall take place by the Association designating a certain future date, and the concerned Clearing Qualification shall be lost on that date.

Article 36 (Notice of Loss of Clearing Qualification)

If Clearing Qualification is lost in accordance with Article 33, Paragraph (2) or if loss of Clearing Qualification is approved in accordance with the preceding Article, the Association shall immediately notify the concerned party that has lost Clearing Qualification, all Member Banks and the Bank of Japan to that effect.

Article 37 (Handling of Unperformed Debts of Parties that have Lost Clearing Qualification)

If Clearing Qualification is lost in accordance with the provision of Article 33, Paragraph (2), the Association shall still deem such party a Clearing Participant for

settlement or restructuring of said party's unperformed debts or otherwise to the extent that the Association considers it necessary.

#### **Section 4 Measures, etc., on Member Banks**

Article 38 (Measures Pertaining to Violation of Statement of Operational Procedures, etc., by Member Banks)

- (1) If a Member Bank falls under any of the following Items, the Association may, with the reasons thereof presented, temporarily suspend use of the Funds Transfer System stipulated in Article 21 or impose measures that the Association otherwise considers necessary and appropriate after providing such Member Bank with an opportunity for providing explanations.
- (i) In the event of violation of this Statement of Operational Procedures (including the conditions attached based on Article 9, Paragraph (3), the proviso to Article 24, Paragraph (1), the proviso to the said paragraph, Item (i), or Article 24, Paragraph (5));
  - (ii) In the event of failure to report pursuant to the provisions of Article 15 or to notify pursuant to the provisions of Article 31 in the case of a Clearing Participant, or in the event of a false report or notification;
  - (iii) In the event of failure to respond to the demand for change of the cooperative relationship or controlling relationship with officers or others pursuant to the provisions of Article 28;
  - (iv) In the event of the majority of voting rights of all shareholders (excluding voting rights with respect to shares where the voting rights cannot be exercised for all matters that are to be voted on at a general meeting of shareholders; including voting rights with respect to shares deemed to have voting rights pursuant to the provisions of Article 879, Paragraph (3) of the Companies Act (Act No. 86 of 2005)), or voting rights pertaining to contributions becoming held by parties that the Association recognizes as being inappropriate in light of the operation of the Funds Clearing Business of the Association; or
  - (v) In the event that any person, regardless of whether they are consultants, advisors or any other person with any title, who has control over a Member Bank that is equal to or higher than that of the officers, is found to be inappropriate in light of the operation of the Funds Clearing Business, etc., of the Association.
- (2) If a Member Bank becomes, or is likely to become, unable to pay, the Association may temporarily suspend use of the Funds Transfer System stipulated in Article 21 until

the reasons therefor no longer exist after providing such Member Bank with an opportunity for providing explanations

- (3) If a Member Bank that is a Clearing Participant intends to carry out any of the acts of Items (i) through (vi) of Article 31 (limited to succession of business in whole in the case of Item (v) and assignment of business in whole in the case of Item (vi) of Article 31) and does not file an application for loss of Clearing Qualification, the Association may temporarily suspend use of the Funds Transfer System stipulated in Article 21 after providing such Clearing Participant with an opportunity for providing explanations.

Article 39 (Lifting of Measures on Suspension of Funds Transfer Transactions, etc.)

- (1) If the Association has temporarily suspended use of the Funds Transfer System stipulated in Article 21 without setting a period pursuant to the provisions of the preceding Article, the Member Bank subject to transaction suspension may file an application for the suspension to be lifted with a statement attached to it when the reasons for the suspension no longer exist.
- (2) If the Association recognizes the lifting of the suspension based on the application of the preceding Paragraph as being appropriate, the Association shall approve the application by designating a certain future date. In this case, the lifting of the suspension shall take effect on that date.
- (3) If the Member Bank referred to in Paragraph (1) does not obtain the approval of the preceding Paragraph within one year of the date of the suspension referred to in Paragraph (1), the Association may terminate the Member Bank's Membership Qualification (Clearing Qualification and Membership Qualification in the case of a Clearing Participant; the same to apply hereinafter) by resolution of the board of directors.

Article 40 (Claim of Objection Against Measures, etc.)

The proviso of Paragraph (1) and provisions of Paragraph (2) of Article 28 shall apply mutatis mutandis to the opportunity for providing explanations referred to in Article 38, and the provisions from Paragraphs (3) through (5) of Article 28 shall apply mutatis mutandis to the measures referred to in Article 38.

Article 41 (Notice of Measures)

If measures have been imposed on Member Banks in accordance with Article 38 and

Article 39, Paragraph (3), the Association shall immediately notify all Member Banks and the Bank of Japan to that effect.

Article 42 (Recommendations to Member Banks)

- (1) If the Association considers the status of business operations and assets of a Member Bank to be inappropriate in light of the operation of the Funds Clearing Business, etc., of the Association, the Association may recommend such Member Bank to take adequate measures.
- (2) If the Association considers it necessary in the event of the recommendation of the preceding Paragraph, the Association may request a report of the responses taken thereto from the Member Bank.

### **Chapter 3 Funds Transfer Settlement**

#### **Section 1 Procedures of Funds Transfer Settlement**

Article 43 (Settlement Account and Flagship Branch Account)

- (1) Funds transfer settlement is performed between the current account under the name of the Association at the Bank of Japan Head Office (hereinafter referred to as the “Settlement Account”) and the current account of the branch of the Clearing Participant that has been approved by the Bank of Japan (hereinafter referred to as the “Flagship Branch”) at the Bank of Japan Head Office or Branch designated by the Bank of Japan (hereinafter referred to as the “Settlement Branch”) (hereinafter referred to as the “Flagship Branch Account”).
- (2) Settlement Branches and Flagship Branches shall be limited to one branch each per Clearing Participant.

Article 44 (Funds Transfer Lending/Borrowing of Financial Institution Outsourcing Settlement Agency)

Funds transfer lending/borrowing of a Financial Institution Outsourcing Settlement Agency shall be settled as funds transfer lending/borrowing of such financial institution’s Financial Institution Entrusted with Settlement Agency.

Article 45 (Calculation of Funds Transfer Settlement Amount)

- (1) Calculation of the funds transfer settlement amount for each Clearing Participant shall be, in principle, performed by the Association using the Zengin System.
- (2) The funds transfer settlement amount on one business day when the funds transfer



settlement of the preceding Paragraph is performed (hereinafter referred to as “Settlement Date”) shall be the amount of difference between the total amount of all credits in the following Items acquired against one Clearing Participant by the Association and the total amount of all debts in the following Items to such Clearing Participant assumed by the Association.

- (i) Credits acquired and debts assumed on the Settlement Date by the Association in accordance with provisions of Article 49, Paragraphs (1) and (2)
- (ii) Credits acquired and debts assumed by the Association in accordance with provisions of Article 49, Paragraphs (1) and (3) from the point in time when the communication on the More Time System starts on the business day prior to the Settlement Date to the end of such communication on More Time System on the Settlement Date

Article 46 (Notice to Clearing Participants)

After calculation of the funds transfer settlement amount, the Association shall in principle promptly notify the funds transfer settlement amount for each Clearing Participant to the Clearing Participant using the Zengin System.

Article 47 (Notice to the Bank of Japan)

- (1) After the notice stipulated in the preceding Article is made, the Association shall promptly notify the Bank of Japan of the funds transfer settlement amount for each Clearing Participant and for each Clearing Branch.
- (2) The notice referred to in the preceding Paragraph shall be made via a separately-stipulated form of communication using the Zengin System in principle; provided, however, that the notice shall be made via a method separately stipulated by the Association and the Bank of Japan if the notice cannot be made using the Zengin System or if both the Bank of Japan and the Association find it appropriate.

Article 48 (Funds Transfer Settlement)

- (1) Funds transfer settlement shall be performed in the following manner: Starting at 4:15 p.m. on the Settlement Date based on the notice made in accordance with the preceding Article (if the Bank of Japan has designated a different time, then it shall be that time; hereinafter referred to as the “Settlement Start Time”), the amount equivalent to the funds transfer settlement amount is sequentially withdrawn from the Flagship Branch Account of the Clearing Participant that is to pay the funds

transfer settlement amount and this is deposited into the Settlement Account and, after all deposits to the Settlement Account are completed, the amount equivalent to the funds transfer settlement amount of the Clearing Participant that is to receive the funds transfer settlement amount is withdrawn from the Settlement Account and this is sequentially deposited into the Flagship Branch Account of the Clearing Participant that is to receive the funds transfer settlement amount; provided, however, that, if there are circumstances that make deposit or withdrawal difficult, the funds transfer settlement shall be performed without delay once such circumstances end. In this case, the Association shall not pay or charge interest.

- (2) The Clearing Participant that is to pay the funds transfer settlement amount to the Association shall designate the amount of withdrawal funds in the Flagship Branch Account at the Settlement Start Time on the Settlement Date so that the payment of such funds transfer settlement amount is facilitated.
- (3) The method of handling cases of delay in settlement due to Zengin System failure, the arising of settlement default banks, etc., shall be decided by the Association upon consultation with the Bank of Japan and Clearing Participants shall abide by that decision.
- (4) If any funds transfer settlement amount discrepancies, etc., arise, the Clearing Participant shall promptly inquire with the related financial institution to that effect and mutually resolve the same.

## **Section 2 Assumption of Debts and Acquisition of Credits**

### Article 49 (Assumption of Debts and Acquisition of Credits)

- (1) With regard to Transactions Subject to Clearing, the Association shall assume the debts that a Clearing Participant owes to another Clearing Participant whereby the Clearing Participant is discharged from such debts and simultaneously acquire the credits corresponding to such debts from the Clearing Participant that is discharged from such debts.
- (2) The point in time of the arising of debts, point in time of assumption of debts by the Association and point in time of acquisition of credits by the Association stipulated in the preceding Paragraph shall be the point in time stipulated in the following Items depending on the Settlement Date of Transactions Subject to Clearing.
  - (i) On that day: At the point in time when the notice telegram concerning the transaction is effectively received by the Zengin System
  - (ii) On the next business day or later: At the point in time when the communication

on the Core Time System starts on the Settlement Date

- (3) Notwithstanding the provisions of the preceding Paragraph, the point in time of the arising of debts, the assumption of debts and the acquisition of credits by the Association stipulated in Paragraph 1 shall be the point in time when the notice telegram concerning the transaction is effectively received by the More Time System in regard to the Funds Transfer Transactions using the More Time System.
- (4) In the event of attachment or provisional attachment of credits that a Clearing Participant has of another Clearing Participant or credits that a Clearing Participant acquires from the Association through assumption of debts stipulated in Paragraph (1) concerning Funds Transfer Transactions using the Zengin System, or in the event of suspension of payments or petition for commencement of bankruptcy proceedings, rehabilitation proceedings or reorganization proceedings (each including equivalent proceedings filed overseas) filed against a Clearing Participant, or in the event that the effect stipulated in Paragraph (1) of the following Article does not take effect or the Association considers such to be likely, the Association may subsequently elect not to perform the assumption of debts in accordance with the preceding three Paragraphs for Funds Transfer Transactions that involve such Clearing Participant.
- (5) If the Association incurs damage related to the assumption of debts in accordance with Paragraph (1) or the deposit or withdrawal in accordance with the preceding Article, the Clearing Participant that acquired credits from the Association in relation to the assumption of debts pertaining to the damage shall be liable for such damage.

Article 50 (Offsetting)

- (1) All credits to one Clearing Participant acquired by the Association in accordance with the preceding Article and all debts to such Clearing Participant assumed by the Association shall be deemed as being offset in corresponding amounts at the Settlement Start Time.
- (2) All credits and all debts of the preceding Paragraph shall be stipulated in the following Items:
  - (i) Credits acquired and debts assumed on the Settlement Date by the Association in accordance with provisions of Paragraphs (1) and (2) of the preceding Article
  - (ii) Credits acquired and debts assumed by the Association in accordance with provisions of Paragraphs (1) and (3) of the preceding Article from the point in time when the communication on the More Time System starts on the business day prior to the Settlement Date to the end of such communication

on the More Time System on the Settlement Date

### **Section 3 Sender Net Debit Cap, Collateral**

#### **Article 51 (Sender Net Debit Cap)**

- (1) Clearing Participants shall set and declare to the Association its Sender Net Debit Amount (meaning the amount that is the cumulative amount at one point in time of the amounts payable to all other Clearing Participants based on Funds Transfer Transactions using the Zengin System on each Settlement Date, less the cumulative amount at that point in time of the amounts receivable from all other Clearing Participants; the same to apply hereinafter) limit (hereinafter referred to as the “Sender Net Debit Cap”). The same shall apply when the Sender Net Debit Cap is changed. Furthermore, upon declaration of a Sender Net Debit Cap, the maximum Sender Net Debit Cap stipulated by the Association must not be exceeded.
- (2) The Association shall set in the Zengin System the Sender Net Debit Cap declared by Clearing Participants in accordance with the preceding Paragraph and keep the Sender Net Debit Amount on each Settlement Date for each Clearing Participant under control so as not to exceed such Sender Net Debit Cap.
- (3) If the amount of collateral that shall be pledged by a Clearing Participant in accordance with Article 52 falls short of the amount of collateral pledged by such Clearing Participant, the Association may lower such Clearing Participant’s Sender Net Debit Cap. In addition, if a Clearing Participant becomes the Bank under Moratorium stipulated in Article 56, the Association may lower such Clearing Participant’s Sender Net Debit Cap in accordance with Article 56, Paragraph (3). If the Sender Net Debit Cap is lowered, the Association shall immediately notify such Clearing Participant to that effect.

#### **Article 52 (Collateral)**

- (1) Clearing Participants must pledge collateral acknowledged by the Association in the amount equivalent to the Sender Net Debit Cap declared to the Association.
- (2) The Association may separately demand collateral as needed in cases other than those stipulated in the preceding Paragraph when the Association considers it necessary.
- (3) The collateral pledged by Clearing Participants (hereinafter referred to as the “Pledged Collateral”) shall be deemed to have been pledged as common collateral for the debts pertaining to payment of the funds transfer settlement amount stipulated in

Article 48 (hereinafter referred to as the “Funds Transfer Settlement Amount Payment Debts”), for payment of a contribution to expenses and for all other debts as may be payable to the Association as a Member Bank, regardless of when, why, etc., such collateral was pledged.

Article 53 (Disposal of Collateral)

- (1) If a Clearing Participant fails to perform the debts to the Association, the Association may dispose of the collateral pledged by the Clearing Participant, without prior notice or demand, in a generally-accepted manner, timing, pricing, etc., and apply the amount remaining after various expenses are deducted from the acquired amount to pay off those debts regardless of the order designated by the law.
- (2) In addition to the provisions of the preceding Paragraph, with notice to the Clearing Participant, the Association may acquire the collateral pledged by such Clearing Participant in lieu of paying off such Clearing Participant’s debts to the Association in whole or in part. In this case, where there is an amount remaining after the amount of debts that the Clearing Participant had failed to pay off to the Association, delinquency charges stipulated in Article 83 and various expenses are deducted from the amount of disposal of collateral acquired, the Association shall return the remaining amount to such Clearing Participant.
- (3) Clearing Participants shall not claim objections to the disposal of collateral, etc., that the Association implements in accordance with this Article and other related provisions.

Article 54 Deleted

**Section 4 Handling When Default Banks Arise**

Article 55 (Default Banks)

- (1) If the Association is notified by the Bank of Japan to the effect that there is a Clearing Participant for which the withdrawal stipulated in Article 48 could not be made, the Association may treat such Clearing Participant as a default bank for non-payment of the funds transfer settlement amount in accordance with Article 48.
- (2) The Association may decide not to recognize payment of the funds transfer settlement amount of the preceding Paragraph that was not paid by the default bank of the preceding Paragraph. As a result of this decision, the default bank’s nonperformance

of the Funds Transfer Settlement Amount Payment Debts owed to the Association shall become final and binding.

- (3) Notwithstanding the provisions of the preceding Paragraph, where the default bank of Paragraph (1) exhibits nonperformance of the funds transfer settlement amount of Paragraph (1) falling under Article 33, Paragraph (3), Item (i), the Association may decide to treat such default bank as a Bank under Moratorium as stipulated in Article 56.
- (4) In cases of treatment of Paragraph (1) concerning default banks, or decisions of the preceding two Paragraphs, the Association shall notify the default bank, all Member Banks and the Bank of Japan to that effect in each case.

Article 56 (Handling of Banks under Moratorium)

- (1) The default bank that the Association has decided to treat as stipulated in Paragraph (3) of the preceding Article (hereinafter referred to as the “Bank under Moratorium”) shall, subject to the condition that such Bank under Moratorium pays the separately-stipulated amount (hereinafter referred to as the “Amount Payable”) to the Association by the payment deadline (3 p.m. on the next business day after the date such decision is made to treat the same as a default bank), have a moratorium temporarily placed on payment of the Amount Payable.
- (2) A Bank under Moratorium shall pay the Amount Payable in a lump sum to the Association by the payment deadline. In this case, the Bank under Moratorium shall also pay separately-stipulated interest (hereinafter referred to as the “Interest Payable”) to the Association. If a Bank under Moratorium has paid the Association the Amount Payable and Interest Payable by the payment deadline, the Association shall no longer treat the Bank under Moratorium as a default bank and Bank under Moratorium and shall immediately notify all Member Banks and the Bank of Japan to that effect.
- (3) A Bank under Moratorium may engage in Funds Transfer Transactions as long as it does not fall under temporary suspension of use of the Funds Transfer System stipulated in Article 21; however, the Sender Net Debit Cap of such Bank under Moratorium in this case shall be the amount that is the Sender Net Debit Cap on the Core Time System upon completion of the funds transfer settlement on the day that it begins to be treated as a default bank in accordance with Paragraph (1) of the preceding Article less the Amount Payable.
- (4) If a Bank under Moratorium is expected to be unable to pay the Amount Payable and Interest Payable by the payment deadline, the Association may extend the payment

deadline, once only, to 3 p.m. on the next business day, in accordance with an advance application from the Bank under Moratorium. In this case, the Association shall notify the Bank under Moratorium, all Member Banks and the Bank of Japan to that effect.

- (5) During the period that a Bank under Moratorium is placed under a moratorium on payments, where additional non-payment of the funds transfer settlement amount arises at the Bank under Moratorium, the Association shall treat such Bank under Moratorium pursuant to the preceding Article. In such case, if the non-payment falls under Article 55, Paragraph (3), the Amount Payable of the Bank under Moratorium shall be the amount that is the Amount Payable upon completion of the funds transfer settlement on the previous business day plus the funds transfer settlement amount that has newly become a non-payment.
- (6) If a Bank under Moratorium fails to pay the Amount Payable and Interest Payable by the payment deadline, the Association shall temporarily suspend the Bank under Moratorium's use of the Funds Transfer System stipulated in Article 21. In this case, the Association shall notify the Bank under Moratorium, all Member Banks and the Bank of Japan to that effect. In addition, where the Bank under Moratorium which is subject to temporary suspension as a result pays the Amount Payable and Interest Payable by noon on the next business day after the day on which the temporary suspension commenced and an application to resume use of the Funds Transfer System has been filed, the Association shall lift the Bank under Moratorium's temporary suspension and no longer treat it as a Bank under Moratorium and default bank and shall notify the Bank under Moratorium, all Member Banks and the Bank of Japan to that effect.
- (7) If a Bank under Moratorium with temporary suspension in accordance with the preceding Paragraph fails to pay the Amount Payable and Interest Payable by the deadline stipulated in the preceding Paragraph, the nonperformance of the Funds Transfer Settlement Amount Payment Debts stipulated in Article 55, Paragraph (2) shall become final and binding and, where the Bank under Moratorium falls under the main clause of Article 33, Paragraph (2), Item (i), Membership Qualification, etc., shall be lost.

#### Article 57 (Liquidity-Providing Banks)

- (1) If a default bank arises (including when additional non-payment of the funds transfer settlement amount arises at a Bank under Moratorium; the same to apply hereinafter), the Association shall appoint a financial institution to supply funds at the Association's request (hereinafter referred to as the "Liquidity-Providing Bank") from among

Clearing Participants in accordance with separately-stipulated criteria and sign an agreement on the supply of funds with such Liquidity-Providing Bank subject to approval of the board of directors.

- (2) The agreement of the preceding Paragraph shall stipulate the limit and other matters necessary for such Liquidity-Providing Bank to supply funds to the Association.
- (3) In addition to the cases stipulated in Article 58, where funds are required associated with the exercising of rights held in a default bank, the Association may request a Liquidity-Providing Bank for supply of funds.

Article 58 (Settlement Processing When Default Banks Arise)

- (1) Where a default bank arises, the Association shall request a Liquidity-Providing Bank in accordance with separately-stipulated criteria for supply of the funds required to complete the day's settlements.
- (2) A Liquidity-Providing Bank that has received a request referred to in the preceding Paragraph shall pay the amount requested by the Association into the Settlement Account by the deadline designated by the Association.
- (3) If the Association deems that the amount of funds supplied by a Liquidity-Providing Bank falls short of the amount of funds required to complete the day's settlements, the Association may request supply of the shortfall in funds from all Clearing Participants.
- (4) Clearing Participants that receive a request under the preceding Paragraph shall pay the amount requested by the Association into the Settlement Account by the deadline designated by the Association.
- (5) If the Association has decided on the payment deadline stipulated in Paragraph (2) and the preceding Paragraph, the Association shall immediately notify the Bank of Japan to that effect.
- (6) If the Association has verified that the payments stipulated in Paragraph (2) or Paragraph (4) are complete and that it can complete settlements, the Association shall immediately notify the Bank of Japan to that effect and request payment to the Clearing Participants that are to receive the funds transfer settlement amount.

Article 59 Deleted

Article 60 (Debt Collection from Default Banks, etc.)

- (1) The Association shall carry out the procedures necessary for disposal of collateral stipulated in Article 53 and other debt collection concerning the nonperformance of any Funds Transfer Settlement Amount Payment Debts of default banks and any



credits of the Association concerning the delinquency charges stipulated in Article 83.

- (2) The various expenses required in the debt collection of the preceding Paragraph shall be borne by the default banks.
- (3) Even if the amount collected in accordance with Paragraph 1 (hereinafter referred to as the “Collected Amount”) falls short of the funds transfer settlement amount payable by default banks and amount of delinquency charges stipulated in Article 83, the Association may choose not to subsequently conduct the debt collection stipulated in Paragraph (1) subject to approval of the board of directors.
- (4) If the Association decides not to collect in accordance with the preceding Paragraph, when the Association incurs damages, the Association may collect funds in the amount equivalent to such amount of damages from all Clearing Participants subject to the approval of the board of directors.

Article 61 (Repayment to Liquidity-Providing Banks, etc.)

- (1) The Association shall repay the Liquidity-Providing Bank that supplied funds in accordance with Article 58, Paragraph (2) and Article 57, Paragraph (3) by using the Collected Amount and payments from the Bank under Moratorium in accordance with Article 56, Paragraph (2) or Paragraph (6).
- (2) Repayment to the Clearing Participants that supplied funds in accordance with Article 58, Paragraph (4) shall be treated in the same manner as set forth in the preceding Paragraph.
- (3) If the Association deems that the debt collection stipulated in Article 60, Paragraph (1) will take an extended period of time and that repayment will not be completed by the separately-stipulated repayment deadline to the Liquidity-Providing Banks, the Association may collect the funds required for such repayment from all the Clearing Participants.
- (4) If a Collected Amount arises after the Association’s decision to collect funds in accordance with the preceding Paragraph, the Association shall distribute it to the Clearing Participants that contributed funds in proportion to the funds contributed.

Article 62 Deleted

Article 63 (Proportion of Joint Burden)

The proportion of burden upon the supply or collection of funds in accordance with Article 58, Paragraph (3), Article 60, Paragraph (4) or Article 61, Paragraph (3) shall

be in proportion to ordinary expenses separately stipulated by the Association for the month prior to the month in which supply or collection is demanded; provided, however, that the proportion of burden when there are grounds for acquisition, loss, etc., of Clearing Qualification after the default bank arises may be treated separately.

Article 64 (Other Necessary Matters)

The necessary matters concerning funds transfer settlement other than those stipulated in this Chapter shall be stipulated in the handling guidelines.

#### **Chapter 4 Business Continuity**

Article 65 (Basic Policy on Business Continuity)

In view of ensuring it fulfills its role as a funds clearing agency that serves as part of the social infrastructure of Japan, the Association shall formulate the basic policy presented in the following Articles of this Chapter with respect to the Association's business continuity that assumes the emergence of disasters, system failures, terrorism, etc. (hereinafter referred to as "Disasters, etc.") and various risks.

Article 66 (Basic Thinking)

In view of minimizing the impact on Member Banks and associate members in the event of Disasters, etc., the Association shall set forth the business operation areas in which business continuity ought to be achieved and the level of restoration and time limit for restoration by taking into account the level of importance of the applicable business operations, the criteria established by related organizations and other factors, and implement the foregoing.

Article 67 (Assumed Risks)

As risks as a consequence of various Disasters, etc., such as earthquakes, wind or flood damage, armed attacks (including threatened terrorist attacks, cyberterrorism, etc.), spread of infection, system failures, and suspensions in social infrastructure such as electricity, telecommunications and transportation, the Association assumes buildings becoming unavailable for use, systems becoming unavailable for use, personnel shortages, suspension of related organizations, etc., and adopts the policy of taking countermeasures by classifying such risks into widespread disaster, local damage and system failure.

Article 68 (Business Operations Subject to Continuity)

The Association shall set the Funds Clearing Business and related business operations at the top of the list of business operations subject to continuity.

Article 69 (Action Policy)

The Association shall strive to continue the Association's business operations to the greatest extent possible or strive for its prompt restoration by taking the actions that are separately stipulated for each category of Disasters, etc., listed in the following Items.

- (i) Widespread disaster (where damage from a large earthquake, wind or flood damage, etc., have affected both the Association and related organizations)
- (ii) Local damage (local damage is where only the Association is affected, etc., while Clearing Participants and related organizations are operating as usual)
- (iii) System failure (where system hardware failure, application failure, telecommunication line failure, etc., have affected the Association or the external organizations that are involved in the Association for execution of the clearing business)

Article 70 (Establishment of Business Continuity Task Force)

In the event of widespread disaster, local damage or system failure, the Association shall establish a business continuity task force as needed, which shall grasp the status of damage, secure contact with Clearing Participants and related organizations and conduct decision-making required for the Association's business continuity.

Article 71 (Securing of Personnel, Communication Means, etc.)

The Association shall assume cases of emergence of risks, etc., and set forth in advance the personnel that shall take initial response, means of communicating both internally and externally in time of emergency, alternative offices, etc., and take the measures necessary to enable prompt response in the event of Disasters, etc.

Article 72 (Zengin-Computer Center System)

In order to ensure system security and reliability, the Association shall take necessary measures such as the reduplication of data exchange paths between the Zengin-computer center system and Member Banks.

Article 73 (Holding of Drills and Educational Training)

The Association shall regularly hold drills for times of Disaster, etc., and regularly hold

educational training for employees.

## **Chapter 5 Data Exchange Business Operations**

### **Article 74 (Data Exchange Business Operations)**

- (1) The Association shall implement data exchange business operations as operations related to the Funds Clearing Business, with Member Banks and associate members, as well as with Member Banks and companies, etc. approved by the Member Banks.
- (2) Data exchange business operations are business operations involving the sending and receiving of Transactions Subject to Clearing and other notices, as well as accompanying communications, via the Zengin System or Zengin EDI System.

### **Article 75 (Establishment of Centers)**

The Association shall establish Zengin-computer centers in the following locations to conduct data exchange business operations:

- (i) Tokyo; and
- (ii) Osaka

### **Article 76 (Indemnification)**

Even if a Member Bank and a company, etc. approved by the Member Banks incur damage concerning data exchange business operations with the Association, the Association shall not be liable to provide indemnification for such damage unless there is recognized to have been willful or gross negligence on the part of the Association.

## **Chapter 6 Ruling of Incidents**

### **Article 77 (Filing and Ruling)**

- (1) If an incident involving Funds Transfer Transactions results in a loss that is difficult to resolve amongst the relevant banks and where an incident involving the joint liability of Member Banks concerning Funds Transfer Transactions results in a loss, Member Banks may file for a ruling from the Association in writing or in an electronic record.
- (2) Upon receiving such filing, the Association shall establish a committee for the ruling, which shall promptly investigate the facts and clarify where the liability belongs, and rule on the scope and amount of damage that shall be the subject of the liability.

## **Chapter 7 Outsourcing of Business Operations**

### **Article 78 (Establishment of Structure for Outsourcing of Business Operations)**

Upon outsourcing the Funds Clearing Business in part to a third party (hereinafter referred to as the “Outsourcing of Business Operations”), the Association shall ensure the business operations pertaining to such outsourcing are executed appropriately and reliably through the provisions set forth in this Statement of Operational Procedures and taking the measures otherwise necessary.

### **Article 79 (Development of Plan for Outsourcing of Business Operations)**

If the Association is to outsource business operations, the Association shall develop an outsourcing plan that provides an outline of the purpose of outsourcing, the risk management method of the business operator to which to outsource, etc.

### **Article 80 (Criteria for Selecting Business Operator to Which to Outsource)**

In selecting the business operator to which to outsource business operations, the Association shall assess the business operator’s security and other separately-stipulated matters.

### **Article 81 (Business Operations Outsourcing Contract)**

The agreement pertaining to the Outsourcing of Business Operations shall include separately-stipulated matters.

### **Article 82 (Management of Outsourcing of Business Operations)**

If the Association considers it necessary for investigation of the status of compliance with laws and regulations and other rules by the business operator to which business operations are to be outsourced, the Association may demand, with the reasons therefor presented, the business operator to submit reports or materials that would serve as a reference or have the Association’s employees inspect the business operator’s place of business or conduct another type of inspection.

## **Chapter 8 Miscellaneous Provisions**

### **Article 83 (Delinquency Charges)**

(1) If a Clearing Participant fails to perform debts owed to the Association pursuant to this Statement of Operational Procedures or other related rules, etc., by the deadline,

the Clearing Participant shall pay delinquency charges calculated by multiplying the amount of such debts by an annual rate of 14%, for the period from said deadline until the date of performance.

- (2) The method of calculation when calculating delinquency charges shall be to calculate with the start and end dates inclusive and based on a 365-day year.

Article 84 (Decisions on Matters Necessary for Funds Clearing Business, etc.)

The Association may set forth the handling required in addition to the matters set forth in this Statement of Operational Procedures when necessary for the Funds Clearing Business, etc.

Article 85 (Contact and Notice on Handling Guidelines)

If a handling guideline required for operation of this Statement of Operational Procedures is to be set forth, or such handling guideline is to be amended, the Association shall contact the Bank of Japan in advance.

Article 86 (Amendment Authority)

- (1) This Statement of Operational Procedures may be amended by resolution of the board of directors; provided, however, this shall not apply if the content of the change is minor. The Association shall consult with the Bank of Japan upon amendment of any of Articles 9, 10, 11, 16, 20, 24, 25, 33, 34, 35, 36, each Article of Chapter 3, Articles 83, 85 and this Article.

- (2) In the event of amendment of the preceding Paragraph, the Association shall immediately notify all Member Banks and the Bank of Japan to that effect.

Article 87 (Governing Laws and Agreed Jurisdiction)

- (1) This Statement of Operational Procedures shall be governed by the laws of Japan.
- (2) The Tokyo District Court shall have exclusive jurisdiction over any legal action in the event of any dispute arising between the Association and Member Banks concerning the rights and obligations under this Statement of Operational Procedures; provided, however, that the Association is not prevented from filing a lawsuit against Member Banks in any court of competent jurisdiction in a foreign state.

### **Supplementary Provisions**

- 1 This Statement of Operational Procedures shall come into effect on October 1, 2010.

End