

# Important Notice Associated with the Financial Instruments and Exchange Act

June, 2018  
BNP Paribas, Tokyo Branch

## I. Professional Investor System and Expiration Date

The Financial Instruments and Exchange Act, which came into force on September 30, 2007, newly introduced the Professional Investor System, under which our customers are classified into "Professional Investors" and "customers other than Professional Investors" (hereinafter referred to as "General Investors").

In addition, certain customers, including those who are not Qualified Institutional Investors, are allowed to make a transition between Professional Investors and General Investors at their request for each type of contracts.

Please note that we may decline your transition from a General Investor to a Professional Investor as a result of our review.

We have designated March 31 or September 30 (including the cases where those dates fall under holidays) as the Expiration Dates of customers' transition from General Investors to Professional Investors. Even if you have made a transition from a General Investor to a Professional Investor, your status will return to a General Investor on the date immediately following the Expiration Date. Therefore, you need to follow the transition procedures again if you wish to continue your status as a Professional Investor.

On the other hand, if you have made a transition from a Professional Investor to a General Investor, the effect of such transition will remain effective until your notice regardless of the Expiration Date. Therefore, you do not need to follow the transition procedures again.

Under this system, those customers who are Professional Investors are excluded from the application of certain restrictions on activities, including the obligation to deliver documents before conclusion of contracts.

### 1. Investor Classifications

1. Professional Investors (not permitted to make a transition to General Investors)  
National government, the Bank of Japan and Qualified Institutional Investors
2. Professional Investors (permitted to make a transition to General Investors)  
Stock companies estimated to have stated capital of 500 million yen or more and companies issuing listed share certificates, etc.
3. General Investors (permitted to make a transition to Professional Investors)  
Corporations other than those listed in 1. and 2., etc. ; individuals who satisfy certain requirements
4. General Investors (not permitted to make a transition to Professional Investors)  
Individuals other than those listed in 3.

## **2. Types of Contracts**

### Contracts for securities transactions, etc.

It refers to contracts pursuant to which acts listed in Article 33-2(ii) and Article 33(2) are conducted.

### Contracts for derivative transactions, etc.

It refers to contracts pursuant to which acts listed in Article 33-2(iii) are conducted.

### Investment advisory contracts and contracts for agency and intermediation of conclusion thereof

It refers to contracts pursuant to which the deposits listed in Article 14-11-4 of the Ordinance for Enforcement of the Banking Act are conducted.

## **3. Restrictions on Activities not Applicable if a Professional Investor is the Counterparty**

1. If a Professional Investor is solicited by a registered financial institution for conclusion of the Contract for Financial Instruments Transaction:

① Regulation of advertising, etc. (Article 37 of the Financial Instruments and Exchange Act)

- When making advertisements, etc., a registered financial institution must indicate its trade name, etc. and certain matters materially influencing customers' decisions.
- When making advertisements, etc., a registered financial institution must not make a representation that significantly conflicts with the fact of the matter or that could cause a person to have a serious misconception about the prospect of profit resulting from the performance of an act that constitutes a Financial Instruments transaction or any other similar matter.

② Prohibition on uninvited solicitation (Article 38, Item 4 of the Financial Instruments and Exchange Act)

- A registered financial institution must not visit or telephone any customer that is not asking to be solicited for the conclusion of a contract for over-the-counter transactions of financial futures and solicit such customer to conclude a contract.

③ Obligation to confirm the intent to accept solicitation (Article 38, Item 5 of the Financial Instruments and Exchange Act)

- A registered financial institution must not solicit any customer to conclude contracts for over-the-counter transactions of financial futures and exchange transactions of financial futures without obtaining confirmation from the customer, prior to solicitation, regarding whether or not the customer is willing to be solicited.

④ Prohibition on soliciting again (Article 38, Item 6 the Financial Instruments and Exchange Act)

- A registered financial institution must not continue to solicit a customer to conclude contracts for over-the-counter transactions of financial futures and exchange transactions of financial futures despite the customer having manifested an intention that indicates an unwillingness to conclude

such contracts (including an intention that indicates a wish not to continue to be solicited) after being solicited.

⑤ Principle of suitability (Article 40, Item 1 of the Financial Instruments and Exchange Act)

- A registered financial institution must conduct its business so that it will not engage in any inappropriate solicitation in light of customer knowledge, customer experience, the state of customer assets, or the purpose for which a contract is concluded that results in or is likely to result in insufficient investor protection.

2. If a registered financial institution has received an offer for the Contract for Financial Instruments Transaction from, or has concluded the Contract for Financial Instruments Transaction with, a Professional Investor:

① Obligation to clarify the conditions of transactions in advance (Article 37-2 of the Financial Instruments and Exchange Act)

- A registered financial institution must give the customer clear notice, in advance, regarding whether it will become the counterparty to the transaction with the customer itself, or whether it will conduct intermediation, brokerage, or agency for the transaction.

② Obligation to deliver documents prior to the conclusion of a contract (Article 37-3 of the Financial Instruments and Exchange Act)

- A registered financial institution must, prior to the conclusion of the contract, deliver to the customer a document stating its trade name, etc., the outline of the contract and certain matters materially influencing customer's decisions (except for certain cases, including the case where it has delivered a certain document to such customer within one year prior to the conclusion of such contract).

③ Obligation to deliver documents upon the conclusion of a contract (Article 37-4 of the Financial Instruments and Exchange Act)

- Except for certain cases, a registered financial institution must, upon the conclusion of a contract, etc., deliver to the customer a document stating its trade name, etc., the outline of the contract and certain other matters.

④ Obligation to deliver documents in connection with the receipt of a security deposit (Article 37-5 of the Financial Instruments and Exchange Act)

- Whenever a registered financial institution receives a certain security deposit from a customer, it must immediately deliver to the customer a document stating certain matters.

⑤ Restriction on the act of furnishing a customer's securities as collateral, etc. (Article 43-4 of the Financial Instruments and Exchange Act)

- If a registered financial institution furnishes as collateral the securities, etc. deposited with it by a customer or lends such securities to another person, it must obtain written consent from the said customer.

BNP Paribas, Tokyo Branch

Registered Financial Institution: Director General of the Kanto Finance Bureau (*tokin*) No. 98

Association membership: The Japan Securities Dealers Association and Financial Futures Association of Japan