

# Important Notice Associated with the Financial Instruments and Exchange Act

June, 2018  
BNP Paribas Securities (Japan) Limited

## 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 2, Paragraph 8, Items 1 through 9 of the Act relating to securities, the acts listed in Item 16 of the said paragraph conducted in connection with those acts or the acts listed in Item 17 of the said paragraph are conducted.

### Contracts for derivative transactions, etc.

It refers to contracts pursuant to which acts listed in Article 2, Paragraph 8, Items 1 through 5 of the Act relating to derivative transactions, the acts listed in Item 16 of the said paragraph conducted in connection with those acts or the acts listed in Item 17 of the said paragraph are conducted.

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

It refers to investment advisory contracts and contracts pursuant to which the acts listed in Article 2, Paragraph 8, Item 13 of the Act (limited to those relating to the investment advisory contracts) are conducted.

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

1. If a Professional Investor is solicited by a business operator 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 business operator must indicate its trade name, etc. and certain matters materially influencing customers' decisions.
- When making advertisements, etc., a business operator 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 business operator 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 business operator 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 Business operator 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 business operator 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 business operator 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 business operator 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 business operator 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 business operator 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 business operator receives a certain security deposit from a customer, it must immediately deliver to the customer a document stating certain matters.
- ⑤ Written cancellation (Article 37-6 of the Financial Instruments and Exchange Act)
- Except for certain cases, a customer that has concluded an investment advisory contract with a business operator is entitled to cancel the said contract in writing for ten days from the day on which the customer received the document upon the conclusion of the contract, etc.
  - If a contract is cancelled pursuant to the above, a business operator may not request the customer to pay damages or a penalty for the cancellation of that contract beyond the certain amount (such as the amount of fees applicable to the period until the cancellation of that contract).

⑥ Obligation to deliver in advance a document stating the best execution policy, etc. (Article 40-2, Paragraph 4 of the Financial Instruments and Exchange Act)

- Before accepting an order from a customer for listed share certificates, etc., a business operator must deliver to the customer in advance a document stating its best execution policy, etc. for the relevant transaction (except for the case where such document has already been delivered).

⑦ 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 business operator 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.

3. If a business operator concludes an investment advisory contract with a Professional Investor:

① Prohibition on receiving deposits, etc. of money or securities (Article 41-4 of the Financial Instruments and Exchange Act)

- Except for certain cases, a business operator must not receive a deposit of money or securities from a customer, or have a person closely related to the said business operator deposit a customer's money or securities, in connection with the investment advisory business.

② Prohibition on the lending, etc. of money or securities (Article 41-5 of the Financial Instruments and Exchange Act)

- Except for certain cases, a business operator must not lend money or securities to a customer or perform intermediation, brokerage, or agency for a third party's lending of money or securities to a customer in connection with the investment advisory business.

Note: The above is the summary of the business operator regulations not applicable if a Professional Investor is the counterparty. Please refer to each of the relevant clauses for accurate contents of those regulations.

II. Fees, Etc. and Risks (Indication of the matters stipulated in Article 37 of the Financial Instruments and Exchange Act)

Upon conducting financial instruments transactions, you may be required to pay fees, etc. designated for each financial instrument, etc. (for example, in the case of share transactions, brokerage commission calculated by multiplying the contract price by the commission rate agreed upon with you in advance and consumption tax; or, in the case of investment trust transactions, sales commission established for each issue and various expenses, etc., including trust fees). In addition, all financial instruments have various risks related thereto. A significant amount of loss or payment obligation may result from changes in domestic or international political, economic or financial situations, exchange rates, stock market prices, commodity prices, level of interest rates and other market conditions, credibility of issuers, etc. or other underlying assets designated as index, etc. Moreover, in the case of derivative transactions, you may be required to deposit security money, etc. the specific amount of which will be determined upon agreement with us. In addition, you may be required to deposit additional security money, etc. With respect to these transactions, the amount of the transaction may exceed the amount of security money, etc. (the proportion of the transaction amount to the amount of security money, etc. cannot be calculated as specific terms and conditions are not determined at present.). In addition, loss or payment obligation in an amount that exceeds the amount of security money, etc. may result from changes in the above-mentioned underlying assets designated as index. Furthermore, depending on the types of transactions, there may be a difference



between the matter equivalent to the sale price and the matter equivalent to purchase price as stipulated in Article 16, Paragraph 1, Item 6 of Order for Enforcement of the Financial Instruments and Exchange Act. As fees, etc. and risks vary from one financial instrument to another, please read carefully documents to be delivered prior to the conclusion of a contract, prospectus or materials intended for customers relating to such financial instruments, etc.

You need to note that, if any exercise period exists, the period during which you are entitled to exercise your rights is limited.

If there is any early termination clause, including clause regarding cancellation before the maturity and automatic expiration clause, a transaction may terminate before the scheduled end date.

BNP Paribas Securities (Japan) Limited

Financial Instruments Business Operator: Director General of the Kanto Finance Bureau (*kinsho*) No. 2521

Association membership: The Japan Securities Dealers Association; Financial Futures Association of Japan and Type II Financial Instruments Firms Association