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### Deposit Insurance Act of Japan

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# Deposit Insurance Act

(Act No. 34 of April 1, 1971)

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## Chapter I General Provisions

(Purpose)

Article 1 The purpose of this Act is to protect Depositors, etc. and ensure settlement of funds pertaining to Failed Financial Institutions, by providing for the payment of deposit insurance proceeds and purchase of deposits and other claims necessary in the event that repayment of Deposits, etc. is suspended by a Financial Institution, and, regarding the resolution of Failed

Financial Institutions, by establishing a system for providing appropriate financial assistance to facilitate mergers and other resolutions of Failed Financial Institutions, the public management of Failed Financial Institutions by financial administrators, the transfer of business of Failed Financial Institutions, and appropriate measures in response to financial crises, thereby contributing to the maintenance of an orderly financial system.

(Respect for Autonomy of Financial Institutions)

Article 1-2 In the application of this Act, consideration shall be given to the autonomy of Financial Institutions.

(Definitions)

Article 2 (1) The term "Financial Institutions" as used in this Act refers to the following persons (excluding those whose head office is located outside the jurisdiction where this Act is effective):

- (i) Banks prescribed in Article 2, paragraph (1) of the Banking Act (Act No. 59 of 1981) (hereinafter referred to as "Banks");
- (ii) Long-Term Credit Banks prescribed in Article 2 of the Long-Term Credit Bank Act (Act No. 187 of 1952) (hereinafter referred to as "Long-Term Credit Banks");
- (iii) Shinkin banks;
- (iv) Credit cooperatives;
- (v) Labor banks;
- (vi) Federations of Shinkin Banks;
- (vii) Federations of credit cooperatives engaged in the business provided for in Article 9-9, paragraph (1), item (i) of the Small and Medium-Sized Enterprises Cooperatives Act (Act No. 181 of 1949) (hereinafter referred to as "Federations of Credit Cooperatives");
- (viii) The Rokinren Bank; and
- (ix) The Shoko Chukin Bank, Ltd.

(2) The term "Deposits, etc." as used in this Act means the following:

- (i) Deposits;
- (ii) Installment savings;
- (iii) Installment deposits prescribed in Article 2, paragraph (4) of the Banking Act;
- (iv) Money received under contracts pertaining to money trusts (including loan trusts) for compensating for a loss of principal pursuant to the provisions of Article 6 of the Act on Provision, etc. of Trust Business by Financial Institutions (Act No. 43 of 1943);
- (v) Money received through the issuance of Long-Term Credit Bank bonds under Article 8 of the Long-Term Credit Bank Act, specified bonds under

Article 8, paragraph (1) of the Act on Financial Institutions' Merger and Conversion (Act No. 86 of 1968) (including the cases where it is applied mutatis mutandis pursuant to the provisions of Article 55, paragraph (4) of said Act) (including debentures issued under Article 17-2, paragraph (1) of the Act on Financial Institutions' Merger and Conversion (including the cases where it is applied mutatis mutandis pursuant to the provisions of Article 24, paragraph (1), item (vii) of said Act) before the revision by Article 199 of the Act on the Development, etc. of Relevant Acts Associated with the Enforcement of the Companies Act (Act No. 87 of 2005)), Federation of Shinkin Banks bonds under Article 54-2-4, paragraph (1) of the Shinkin Bank Act (Act No. 238 of 1951), and commercial and industrial bonds under Article 33 of The Shoko Chukin Bank, Ltd. Act (Act No. 74 of 2007) (including those that are deemed pursuant to the provisions of Article 37 of the Supplementary Provisions of said Act to be commercial and industrial bonds issued under Article 33 of said Act) (limited to those specified by a Cabinet Order as those for which rightholders can be ascertained and referred to in Article 58-2, paragraph (1) and Article 73, paragraph (1) as "Long-Term Credit Bank Bonds, etc.");

- (3) The term "Depositors, etc." as used in this Act means depositors and other creditors pertaining to the Deposits, etc.
- (4) The term "Failed Financial Institution" as used in this Act means a Financial Institution that has suspended repayment of Deposits, etc. (meaning the performance of obligations pertaining to Deposits, etc.; the same applies hereinafter) or is likely to suspend repayment of Deposits, etc. in light of the status of its business or property.
- (5) The term "Bank Holding Company, etc." as used in this Act means the following:
  - (i) A bank holding company prescribed in Article 2, paragraph (13) of the Banking Act;
  - (ii) A company that has obtained the authorization under Article 52-17, paragraph (1) of the Banking Act to become a holding company which has as its subsidiary a bank which falls under the Failed Financial Institution through the acquisition of the shares of said bank (meaning a holding company which has a bank as its subsidiary company prescribed in Article 52-17, paragraph (1) of said Act; the same applies in Article 61, paragraph (8));
  - (iii) A Long-Term Credit Bank holding company prescribed in Article 16-4, paragraph (1) of the Long-Term Credit Bank Act;
  - (iv) A company that has obtained the authorization under Article 16-2-4, paragraph (1) of the Long-Term Credit Bank Act to become a holding company which has a Long-Term Credit Bank as its subsidiary company

- (meaning a holding company which has a Long-Term Credit Bank as its subsidiary company prescribed in Article 16-2-4, paragraph (1) of said Act; hereinafter the same applies in Article 61, paragraph (8)) through the acquisition of shares of a Long-Term Credit Bank that falls under the Failed Financial Institution;
- (v) A company that is not listed in the preceding items (excluding banks and Long-Term Credit Banks) and that has a bank or Long-Term Credit Bank (hereinafter referred to as "Bank, etc.") as its subsidiary company (meaning a company of which voting rights exceeding fifty hundredths of the voting rights held by all of its shareholders are held by another company; hereinafter the same applies in this item) (excluding voting rights relating to shares held by shareholders who may not exercise their voting rights for all of the matters which may be resolved at a shareholders' meeting but including voting rights relating to shares for which holders are deemed to have voting rights pursuant to the provisions of Article 879, paragraph (3) of the Companies Act (Act No. 86 of 2005); hereinafter the same applies in this item and paragraph (13)) or intends to have the Bank, etc. become its subsidiary company;
- (6) The term "Preferred Shares, etc." as used in this Act means preferred shares (meaning shares for which, at the time of issuance, there are no matters on which voting rights may be exercised, with preferred contents with regard to dividends of surplus and distribution of residual assets; the same applies hereinafter), subordinated bonds (meaning bonds with a special clause of subordinated contents with regard to the payment of principal and interest, and which fall under bonds specified by a Cabinet Order as contributing to the adequacy of equity capital of a Bank, etc., Bank Holding Company, etc. or The Shoko Chukin Bank, Ltd.; the same applies hereinafter), or preferred equity investments (meaning preferred equity investments prescribed in the Act on Preferred Equity Investment by Cooperative Structured Financial Institution (Act No. 44 of 1993, which is referred to as the "Preferred Equity Investment Act" in Article 107-4, paragraph (1); the same applies hereinafter).
- (7) The term "Shares, etc." as used in this Act means Preferred Shares, etc. and other shares.
- (8) The term "Subscription for Preferred Shares, etc." as used in this Act means subscription for Preferred Shares, etc. or loans for consumption made pursuant to subordinated loan agreements (meaning loans for consumption falling under those with a special clause of subordinated contents with regard to the payment of principal and interest, and which are specified by a Cabinet Order as contributing to the adequacy of equity capital of a Financial Institution or Bank Holding Company, etc.).
- (9) The term "Subscription for Shares, etc." as used in this Act means

- Subscription for Preferred Shares, etc. or subscription for other shares.
- (10) The term "Securing of Damage" as used in this Act means compensation to creditors, based on a contract concluded in advance, through partial repayment of an unpaid amount of a loan in cases where obligations under the loan have become unsatisfied in whole or in part.
- (11) The term "Transfer of Insured Deposits" as used in this Act means assumption of obligations pertaining to the Deposits, etc. of a Failed Financial Institution by another Financial Institution, when such obligations include obligations pertaining to the Deposits, etc. corresponding to amounts of insurance proceeds calculated under the provisions of Article 54, paragraphs (1) to (3) (including the cases where the provisions of said paragraphs are applied mutatis mutandis pursuant to Article 54-2, paragraph (2)) and Article 54-2, paragraph (1) (hereinafter referred to as the "Insurance Claim Calculation Provision") (excluding those associated with the transfer or assumption of business (hereinafter referred to as "Business Transfer, etc.")).
- (12) The term "Financial Institution under Management" as used in this Act means a Financial Institution that has become subject to the disposition ordering management prescribed in Article 74, paragraph (1) pursuant to the provisions of Article 74, paragraph (1) or (2) or Article 110, paragraph (1).
- (13) The term "Bridge Bank" as used in this Act means a bank that has succeeded to the business of a Financial Institution under Management through the assumption of business, Transfer of Insured Deposits or merger (hereinafter referred to as "Assumption of Business, etc."), whose primary purpose is to maintain and continue said business on a temporary basis, and that has been established as a subsidiary company of the Deposit Insurance Corporation (meaning a company of which voting rights exceeding fifty hundredths of the voting rights held by all of its shareholders are held by the Deposit Insurance Corporation; the same applies hereinafter).

## **Chapter II Deposit Insurance Corporation**

### **Section 1 General Provisions**

(Legal Personality)

Article 3 The Deposit Insurance Corporation (hereinafter referred to as the "Corporation") is to be a corporation.

(Number)

Article 4 Regarding the Corporation, only one is to be established.

(Capital)

Article 5 (1) The capital of the Corporation is to be the total amount of capital

contributed by the government and other persons at the time of the Corporation's establishment.

(2) The Corporation may, when necessary, increase its capital with the authorization of the Prime Minister and the Minister of Finance.

(Name)

Article 6 (1) The Corporation shall use the phrase "Deposit Insurance Corporation" in its name.

(2) No person other than the Corporation shall use the phrase "Deposit Insurance Corporation" in its name.

(Registration)

Article 7 (1) The Corporation shall be registered pursuant to the provisions of a Cabinet Order.

(2) The matters required to be registered under the preceding paragraph may not be asserted against a third party until after they have been registered.

(Application Mutatis Mutandis of Act on General Incorporated Associations and General Incorporated Foundations)

Article 8 The provisions of Article 4 and Article 78 of the Act on General Incorporated Associations and General Incorporated Foundations (Act No. 48 of 2006) applies mutatis mutandis to the Corporation.

## **Section 2 Establishment**

(Founders)

Article 9 Seven or more persons with experience and expertise in financial matters shall act as founders in order to establish the Corporation.

(Preparation of Articles of Incorporation, etc.)

Article 10 (1) The founders shall promptly prepare the articles of incorporation of the Corporation and solicit capital contributions to the Corporation from persons other than the government.

(2) The articles of incorporation referred to in the preceding paragraph shall state the following matters:

(i) Purpose

(ii) Name

(iii) Location of offices

(iv) Matters concerning capital and capital contribution

(v) Matters concerning the Operation Committee

(vi) Matters concerning officers

- (vii) Matters concerning operations and their execution
- (viii) Matters concerning finance and accounting
- (ix) Matters concerning amendment of the articles of incorporation
- (x) Method of public notice

(Authorization for Establishment)

Article 11 Promptly after the solicitation set forth in paragraph (1) of the preceding Article has been completed, founders shall submit the articles of incorporation to the Prime Minister and the Minister of Finance and apply for authorization for establishment.

(Transfer of Affairs)

Article 12 (1) When the authorization set forth in the preceding Article is granted, founders shall hand over their affairs without delay to the person who is to become the governor of the Corporation.

(2) The person who is to become the governor of the Corporation shall, when he/she has taken over the affairs under the preceding paragraph, request without delay the government and persons other than the government who have agreed to make capital contributions in response to the solicitation to pay capital contributions.

(Registration of Establishment)

Article 13 (1) When capital contributions are paid pursuant to the provisions of paragraph (2) of the preceding Article, the person who is to become the governor of the Corporation shall register its establishment without delay pursuant to the provisions of a Cabinet Order.

(2) The Corporation will be established upon the registration of its establishment.

### **Section 3 Operation Committee**

(Establishment)

Article 14 An operation committee (hereinafter referred to as the "Operation Committee") will be established within the Corporation.

(Authority)

Article 15 In addition to matters separately specified by this Act (excluding Chapter I, Chapter II, Chapter V, and Chapter IX), the following matters shall require a resolution of the Operation Committee:

- (i) Amendment of the articles of incorporation
- (ii) Preparation of and amendments to the statement of operation procedures
- (iii) Budget and funding plans



- (iv) Settlement of accounts
- (v) Other matters deemed particularly necessary by the Operation Committee

(Organization)

Article 16 (1) The Operation Committee will be composed of not more than eight members in addition to the governor and the deputy governors of the Corporation.

(2) The Operation Committee will have a chairperson, who is the governor of the Corporation.

(3) The chairperson will preside over the affairs of the Operation Committee.

(4) The Operation Committee shall designate in advance, from among its members and the deputy governors of the Corporation, a person who performs the duties of the chairperson in his/her place in the event that the chairperson is unable to attend to his/her duties.

(Appointment of Members)

Article 17 Members will be appointed from among persons with experience and expertise in financial matters by the governor of the Corporation with the authorization of the Prime Minister and the Minister of Finance.

(Term of Office of Members)

Article 18 (1) The term of office of members is to be one year; provided, however, that the term of office of a member who fills a vacancy is to be the remaining term of such predecessor.

(2) Members may be reappointed.

(Dismissal of Members)

Article 19 The governor of the Corporation may dismiss a member with the authorization of the Prime Minister and the Minister of Finance if such member has come to fall under any of the following items:

- (i) The member has received a ruling for the commencement of bankruptcy proceedings;
- (ii) The member has been sentenced to imprisonment without work or a heavier punishment;
- (iii) The member is deemed unable to execute his/her duties due to mental or physical disability; or
- (iv) The member has breached his/her obligations in the course of duties.

(Remuneration of Members)

Article 20 Members will not receive any remuneration; provided, however, that they are to be paid travel expenses and other actual expenses incurred in

connection with the execution of their duties.

(Method of Resolutions)

- Article 21 (1) The Operation Committee may not convene a meeting or adopt a resolution unless the chairperson or the person who performs the duties of the chairperson prescribed in Article 16, paragraph (4) and six or more persons from among the members and deputy governors of the Corporation are present.
- (2) A decision of the Operation Committee will be made by a majority of the votes of the chairperson, members, and deputy governors of the Corporation who are present. In the event of a tie, the chairperson will cast the deciding vote.
- (3) Staff members appointed by the Prime Minister or the Minister of Finance, may attend the meeting prescribed in paragraph (1) and express opinions.
- (4) The deputy governors of the Bank of Japan who are appointed by the Bank of Japan's Operation Committee may attend the meeting prescribed in paragraph (1) and express opinions.

(Confidentiality Obligations of Members)

Article 22 Members must not divulge any secret which may have come to their knowledge in the course of their duties. The same applies after they have left their position.

(Status of Members as Public Officials)

Article 23 Members will be deemed to be officials engaging in public duties pursuant to the provisions of laws and regulations with regard to the application of the Penal Code (Act No. 45 of 1907) and other penal provisions.

**Section 4 Officers, etc.**

(Officers)

Article 24 The Corporation will have, as its officers, one governor, not more than four deputy governors, and one inspector.

(Duties and Authority of Officers)

- Article 25 (1) The governor will represent the Corporation and preside over its operations.
- (2) The deputy governors will, in accordance with decisions made by the governor, represent the Corporation, assist the governor in administrating the operations of the Corporation, perform the duties of the governor in his/her place in the event that the governor is unable to attend to his/her duties, and perform the duties of the governor when the post is vacant.
- (3) The inspector will audit the operations of the Corporation.

(4) The inspector may, when he/she finds it necessary based on the audit results, submit his/her opinion to the governor or the Prime Minister and the Minister of Finance.

(Appointment of Officers)

Article 26 (1) Officers will be appointed by the Prime Minister with consent from both Houses of the Diet.

(2) Notwithstanding the provisions of the preceding paragraph, the Prime Minister may appoint an officer if the term of office of an officer expires or a vacancy occurs at a time when the Diet is out of session or the House of Representatives has been dissolved and it is impossible to obtain consent from both Houses.

(3) In the case referred to in the preceding paragraph, ex post facto consent by both Houses of the Diet must be obtained in the first Diet after the appointment. In this case, if the ex post facto consent cannot be obtained by both Houses of the Diet, the Prime Minister must immediately dismiss said officer.

(Term of Office of Officers)

Article 27 (1) The term of office of officers is two years.

(2) Officers may be reappointed.

(Ineligibility of Officers)

Article 28 No employee of the government or a local public entity (excluding part-time employees) is eligible to become an officer.

(Dismissal of Officers)

Article 29 (1) The Prime Minister must dismiss an officer who has come to fall under the preceding Article.

(2) The Prime Minister may dismiss an officer who has come to fall under any of the items of Article 19 or if he/she otherwise finds that it is inappropriate for the officer to remain in office.

(Prohibition of Concurrent Holding of Positions by Officers)

Article 30 No officer (excluding the inspector) shall take office as an officer of a profit-making organization or personally engage in a profit-making business; provided, however, that this does not apply when approval from the Prime Minister has been obtained.

(Restrictions on Authority of Representation)

Article 31 The governor or deputy governors will not have the authority of

representation with regard to any matters for which the interests of the Corporation and those of the governor or deputy governors conflict with each other. In this case, an inspector will represent the Corporation.

(Appointment of Representative)

Article 31-2 The governor may appoint from among the employees of the Corporation a representative who has the authority to perform all judicial and non-judicial acts in connection with part of the operations of the Corporation.

(Appointment of Staff)

Article 32 Staff of the Corporation will be appointed by the governor.

(Confidentiality Obligations of Officers, etc.)

Article 33 The provisions of Article 22 and Article 23 apply mutatis mutandis to officers and staff members.

## **Section 5 Operations**

(Scope of Operations)

Article 34 The Corporation will conduct the following operations in order to achieve the purpose prescribed in Article 1:

- (i) Collection of insurance premiums under the provisions of Section 2 of the following Chapter;
- (ii) Payment of insurance proceeds and provisional payment under the provisions of Section 3 of the following Chapter;
- (iii) Financial assistance and other operations under the provisions of Section 4 of the following Chapter;
- (iii)-2 Loan of funds under the provisions of Article 69-3;
- (iv) Purchase of deposits and other claims under the provisions of Chapter IV;
- (v) Operations of a financial administrator or a financial administrator's representative under the provisions of Article 78, paragraph (2);
- (vi) Management of a Bridge Bank and other operations under the provisions of Chapter VI;
- (vii) Subscription for Shares, etc. and other operations under the provisions of Chapter VII;
- (viii) Loan of funds under the provisions of Article 69-3 as applied mutatis mutandis pursuant to Article 127 or Article 128 and purchase of assets under the provisions of Article 129;
- (ix) Submission of lists of depositors and other operations under the provisions of Section 4 of Chapter IV, Section 2 of Chapter V, and Section 2 of Chapter VI of the Act on Special Measures for Corporate Reorganization Proceedings

and Other Insolvency Proceedings of Financial Institutions (Act No. 95 of 1996); and

(x) Operations incidental to the operations listed in the preceding items.

(Entrustment of Operations)

Article 35 (1) The Corporation may, with the authorization of the Prime Minister and the Minister of Finance, entrust part of its operations to the Bank of Japan, a Financial Institution, or a Financial Institution agent (meaning a bank agent prescribed in Article 2, paragraph (15) of the Banking Act, Long-Term Credit Bank agent prescribed in Article 16-5, paragraph (3) of the Long-Term Credit Bank Act, shinkin bank agent prescribed in Article 85-2, paragraph (3) of the Shinkin Bank Act, credit cooperative agent prescribed in Article 6-3, paragraph (3) of the Act on Financial Business by Cooperatives (Act No. 183 of 1949), labor bank agent prescribed in Article 89-3, paragraph (3) of the Labor Bank Act (Act No. 227 of 1953) and the other party to contracts pertaining to the agency or intermediary prescribed in Article 2, paragraph (4) of The Shoko Chukin Bank, Ltd. Act; the same applies hereinafter).

(2) The Bank of Japan, a Financial Institution, and a Financial Institution agent may conduct operations entrusted under the preceding paragraph notwithstanding the provisions of any other Acts.

(3) The provisions of Article 23 apply mutatis mutandis to officers or staff of a Financial Institution or Financial Institution agent engaged in the operations entrusted to such Financial Institution or Financial Institution agent under paragraph (1).

(Statement of Operation Procedures)

Article 36 (1) The Corporation shall prepare a statement of operation procedures when commencing operations and obtain the authorization of the Prime Minister and the Minister of Finance. The same applies when the Corporation intends to amend such statement.

(2) The statement of operation procedures prescribed in the preceding paragraph shall state matters concerning insurance premiums and other matters specified by a Cabinet Office Ordinance and an Ordinance of the Ministry of Finance.

(Request for Submission of Materials, etc.)

Article 37 (1) The Corporation may, when necessary for conducting its operations, request a Financial Institution (including a Financial Institution agent having said Financial Institution as its principal Financial Institution (meaning the principal bank prescribed in Article 2, paragraph (16) of the Banking Act, principal Long-Term Credit Bank prescribed in Article 16-5, paragraph (3) of the Long-Term Credit Bank Act, principal shinkin bank

prescribed in Article 85-2, paragraph (3) of the Shinkin Bank Act, principal credit cooperative prescribed in Article 6-3, paragraph (3) of the Act on Financial Business by Cooperatives, principal labor bank prescribed in Article 89-3, paragraph (3) of the Labor Bank Act; the same applies hereinafter) and the other party to contracts pertaining to the agency or intermediary prescribed in Article 2, paragraph (4) of The Shoko Chukin Bank, Ltd. Act; the same applies in the following paragraph) or Bank Holding Company, etc. (limited to the Bank Holding Company, etc. pertaining to the operations listed in Article 34, item (iii), (vi) or (vii)) to submit relevant materials.

- (2) A Financial Institution or Bank Holding Company, etc. shall submit relevant materials without delay when requested to do so under the preceding paragraph.
- (3) The Corporation may request a director, accounting advisor, corporate auditor, and accounting auditor (a director, executive officer, accounting advisor and accounting auditor in the event that a Failed Financial Institution is a company with committees, and a director, inspector and accounting auditor in the event that a Failed Financial Institution is a shinkin bank, Federation of Shinkin Banks, credit cooperative, Federation of Credit Cooperatives, labor bank or The Rokinren Bank (hereinafter referred to as "Shinkin Bank, etc.)), manager (a counselor in the event that a Failed Financial Institution is a credit cooperative, Federation of Credit Cooperatives, labor bank or The Rokinren Bank), and any other employee of a Failed Financial Institution and a Financial Institution agent having a Failed Financial Institution as its principal Financial Institution (in the event that the Financial Institution agent is a corporation, any of its officers and employees), and a person who previously held any of these positions (with regard to any person who previously held any of these positions, limited to those items pertaining to matters that could have been known by him/her during the period when he/she was engaged in the operations of the Failed Financial Institution) to report on the status of business and property of the Failed Financial Institution, or inspect the books, documents, and any other items of the Failed Financial Institution and Financial Institution agent having the Failed Financial Institution as its principal Financial Institution.
- (4) The national or prefectural government or the Bank of Japan may deliver relevant materials to the Corporation or make them available for inspection by the Corporation if the Corporation finds it particularly necessary for conducting its operations and makes a request for such delivery or inspection.

## **Section 6 Finance and Accounting**

(Business Year)

Article 38 The business year of the Corporation will be from April 1 to March 31 of the following year.

(Authorization for Budget, etc.)

Article 39 The Corporation shall prepare a budget and funding plan for each business year and obtain the authorization of the Prime Minister and the Minister of Finance before the start of that business year. The same applies when the Corporation intends to amend such budget and/or funding plan.

(Financial Statements, etc.)

Article 40 (1) The Corporation shall prepare an inventory of property, balance sheet, and profit and loss statement (hereinafter referred to as "Financial Statements" in this Article) for each business year and submit the Financial Statements for approval to the Prime Minister and the Minister of Finance within three months of the end of that business year.

(2) When submitting the Financial Statements to the Prime Minister and the Minister of Finance under the preceding paragraph, the Corporation shall attach thereto a business report, statement of accounts prepared according to the classification of budget, and written opinion of the inspector on the Financial Statements and statement of accounts for that business year.

(3) Upon obtaining approval from the Prime Minister and the Minister of Finance pursuant to the provisions of paragraph (1), the Corporation shall give public notice of the Financial Statements in the official gazette without delay, keep at each of the Corporation's offices the Financial Statements and supplementary schedules, business report, statement of accounts, and written opinion of the inspector prescribed in the preceding paragraph, and make them available for public inspection for a period specified by a Cabinet Office Ordinance and an Ordinance of the Ministry of Finance.

(Separate Accounting)

Article 40-2 The Corporation shall separate the accounting and prepare separate accounts for each of the following operations:

(i) Operations listed in each item of Article 34 (excluding those listed in the following item); and

(ii) Operations pertaining to the Subscription for Shares, etc. prescribed in Article 107, paragraph (1) and receipt of contributions pursuant to the provisions of Article 122, paragraph (1) and operations incidental thereto.

(Accumulation of Liability Reserve)

Article 41 At the end of each business year, the Corporation shall calculate a liability reserve for the general account (meaning the account pertaining to

operations listed in item (i) of the preceding Article; the same applies hereinafter) to be set aside pursuant to the provisions of a Cabinet Office Ordinance and an Ordinance of the Ministry of Finance.

(Borrowing and Deposit Insurance Corporation Bonds)

Article 42 (1) The Corporation may, with the authorization of the Prime Minister and the Minister of Finance, borrow funds (including refinancing) from a Financial Institution or any other person (excluding the Bank of Japan) or issue Deposit Insurance Corporation bonds (hereinafter referred to as "Corporation Bonds") (including issuance for the purpose of refinancing Corporation Bonds) if the Corporation finds it necessary for conducting the operations listed in Article 40-2, item (i). In this case, the Corporation may issue Corporation Bonds.

- (2) The Corporation may, with the authorization of the Prime Minister and the Minister of Finance, borrow funds (including refinancing) from the Bank of Japan if the Corporation finds it necessary for temporary cash flow in the event of conducting the operations prescribed in the preceding paragraph.
- (3) The total of the current amount of borrowing carried out under paragraph (1), the current amount of obligations pertaining to the principal of the Corporation Bonds issued under that paragraph, and the current amount of borrowing carried out under the preceding paragraph must not exceed the limit specified by a Cabinet Order.
- (4) Notwithstanding the provisions of Article 43, paragraph (1) of the Bank of Japan Act (Act No. 89 of 1997), the Bank of Japan may loan funds prescribed in paragraph (2) to the Corporation.
- (5) Holders of the Corporation Bonds issued under paragraph (1) will have the right to have their claims satisfied out of the assets of the Corporation in preference over other creditors.
- (6) The order of the statutory lien under the preceding paragraph is to be next to the general statutory lien under the provisions of the Civil Code (Act No. 89 of 1896).
- (7) The Corporation may, with the authorization of the Prime Minister and the Minister of Finance, entrust all or part of the affairs relating to the issuance of the Corporation Bonds to a Bank, etc. or trust company.
- (8) The provisions of Article 705 or Article 709 of the Companies Act apply mutatis mutandis to the Bank, etc. or trust company entrusted pursuant to the provisions of the preceding paragraph.
- (9) In addition to what is provided for in paragraph (1) and paragraph (5) to the preceding paragraph, necessary matters for the Corporation Bonds will be specified by a Cabinet Order.



(Government Guarantee)

Article 42-2 Notwithstanding the provisions of Article 3 of the Act on Restrictions on Government Financial Assistance for Corporations (Act No. 24 of 1946), the government may provide guarantees for obligations pertaining to the borrowing by the Corporation under paragraph (1) or (2) of the preceding Article or Corporation Bonds under paragraph (1) of the preceding Article within the limit of the amount approved by the Diet.

(Investment of Surplus Funds)

Article 43 The Corporation must not invest surplus funds from operations except by the following methods:

- (i) Holding of national government bonds or other securities designated by the Prime Minister and the Minister of Finance;
- (ii) Deposits in the Financial Institutions designated by the Prime Minister and the Minister of Finance; or
- (iii) Other methods specified by a Cabinet Office Ordinance and an Ordinance of the Ministry of Finance.

(Delegation to Cabinet Office Ordinance and an Ordinance of the Ministry of Finance)

Article 44 In addition to what is provided for in this Act, necessary matters for the finance and accounting of the Corporation will be specified by a Cabinet Office Ordinance and an Ordinance of the Ministry of Finance.

## **Section 7 Supervision**

(Supervision)

Article 45 (1) The Corporation will be supervised by the Prime Minister and the Minister of Finance.

- (2) The Prime Minister and the Minister of Finance may, if they find it necessary for the enforcement of this Act, give the Corporation orders necessary for the supervision of its operations.

(Report and Inspection)

Article 46 (1) The Prime Minister and the Minister of Finance may, if they find it necessary for the enforcement of this Act, have the Corporation report on its operations or have their officials enter the offices of the Corporation to inspect books, documents and other items.

- (2) When conducting on-site inspections under the preceding paragraph, the officials shall carry a certificate of identification and display it to those concerned.

- (3) The authority for conducting on-site inspections prescribed in paragraph (1) shall not be construed as given for any criminal investigation.

## **Section 8 Auxiliary Provisions**

(Amendments of Articles of Incorporation)

Article 47 No amendment of the articles of incorporation shall be effective unless authorized by the Prime Minister and the Minister of Finance.

(Dissolution)

Article 48 (1) If, upon dissolution of the Corporation and payment of all its obligations, there are any residual assets, such assets are to be distributed to each capital contributor of the Corporation up to the amount of each contributor's capital contributions.

(2) In addition to what is provided for in the preceding paragraph, the dissolution of the Corporation will be prescribed separately by an Act.

## **Chapter III Deposit Insurance**

### **Section 1 Insurance Relationship**

(Insurance Relationship)

Article 49 (1) When a Financial Institution conducts its operations or business, an insurance relationship is to be formed between the Corporation, Financial Institution and Depositors, etc. whereby each of the Depositors, etc. is to be repaid within a specified limit by virtue of the obligations pertaining to the Deposits, etc. assumed by the Financial Institution.

(2) Under the insurance relationship prescribed in the preceding paragraph, the insured amount is to be taken as a claim pertaining to the Deposits, etc. and either of the following is to be construed as an insurable contingency:

- (i) Suspension of repayment of the Deposits, etc. by a Financial Institution (hereinafter referred to as "Category One Insurable Contingency"); and
- (ii) Rescission of business license of a Financial Institution (in the case of a shinkin bank, Federation of Shinkin Banks, labor bank, or The Rokinren Bank, rescission of operational license, and in the case of a credit cooperative or Federation of Credit Cooperatives, an order for dissolution; the same applies in Article 55, paragraph (2), item (i)), a ruling for the commencement of bankruptcy proceedings or resolution on dissolution (hereinafter referred to as "Category Two Insurable Contingency").

### **Section 2 Payment of Insurance Premiums**

(Payment of Insurance Premiums)

Article 50 (1) A Financial Institution shall submit to the Corporation documents specified by a Cabinet Office Ordinance and an Ordinance of the Ministry of Finance and pay insurance premiums for each business year within three months of the beginning of that business year; provided, however, that an amount equivalent to one-half of the amount of said insurance premiums may be paid within three months of the day on which six months have elapsed from the beginning of that business year.

(2) Notwithstanding the provisions of the preceding paragraph, the Corporation may, pursuant to the provisions of the articles of incorporation, exempt a Financial Institution falling under any of the following items from paying insurance premiums:

- (i) When an insurable contingency has occurred; the Financial Institution pertaining to the insurable contingency
- (ii) When authorization of eligibility, etc. prescribed in Article 65 is given; the Failed Financial Institution pertaining to the authorization of eligibility, etc.
- (iii) When a Disposition Ordering Management prescribed in Article 74, paragraph (1) is issued; the Financial Institution under Management pertaining to the Disposition Ordering Management;
- (iv) When a Bridge Bank is established; the Bridge Bank
- (v) When a decision under Article 111, paragraph (1) is made; the Bank, etc. pertaining to the decision

(Amount of Insurance Premiums Pertaining to General Deposits, etc.)

Article 51 (1) The amount of insurance premiums pertaining to Deposits, etc. (limited to those that are not Deposits for payment and settlement purposes (meaning the Deposits for payment and settlement purposes prescribed in paragraph (1) of the following Article; the same applies in the following paragraph) but excluding foreign currency deposits and other Deposits, etc. specified by a Cabinet Order; hereinafter referred to as "General Deposits, etc.") is to be the amount calculated for each Financial Institution by dividing the average total amount of General Deposits, etc. for each day (excluding holidays specified in Article 15, paragraph (1) of the Banking Act (including the cases where it is applied mutatis mutandis pursuant to Article 17 of the Long-Term Credit Bank Act, Article 89, paragraph (1) of the Shinkin Bank Act, Article 6, paragraph (1) of the Act on Financial Business by Cooperatives, and Article 94, paragraph (1) of the Labor Bank Act) or Article 31, paragraph (1) of The Shoko Chukin Bank, Ltd. Act; the same applies in paragraph (1) of the following Article) of the business year immediately preceding the business year including the day on which said insurance premiums are to be paid by twelve (12), multiplied by the number of months in the business year including the

day on which the said insurance premiums are to be paid, and multiplying the amount thus calculated by a rate determined by the Corporation following a resolution by the Operation Committee (hereinafter referred to as "Insurance Premiums Rate" in this Article).

- (2) The Insurance Premiums Rate shall be established such that the Corporation's long-term finances will be balanced in light of the estimated amount of expenses (excluding those pertaining to Deposits for payment and settlement purposes) to be incurred through payment of insurance proceeds, financial assistance and other operations of the Corporation (except those listed in Article 40-2, item (ii)) and that no specific Financial Institution will be subject to any discriminatory treatment (except that which is applied according to the soundness of management of a Financial Institution).
- (3) When the Corporation finds it difficult to repay any funds borrowed under Article 42, paragraph (1) or (2) or to redeem the Corporation Bonds issued under Article 42, paragraph (1), the Corporation is to change the Insurance Premiums Rate following a resolution by the Operation Committee.
- (4) When the Corporation intends to establish or change the Insurance Premiums Rate, the Corporation shall obtain the authorization of the Prime Minister and the Minister of Finance.
- (5) Upon receiving the authorization set forth in the preceding paragraph, the Corporation shall give public notice of the Insurance Premiums Rate pertaining to the authorization without delay.

(Amount of Insurance Premiums Pertaining to Deposits for payment and settlement purposes)

Article 51-2 (1) The amount of insurance premiums pertaining to deposits that satisfy all of the following requirements (excluding foreign currency deposits and other deposits specified by a Cabinet Order; hereinafter referred to as "Deposits for payment and settlement purposes") is to be the amount calculated for each Financial Institution by dividing the total average amount of Deposits for payment and settlement purposes for each day of the business year immediately preceding the business year including the day on which said insurance premiums are to be paid by twelve (12), multiplied by the number of months in the business year including the day on which the said insurance premiums are to be paid, and multiplying the amount thus calculated by a rate determined by the Corporation following a resolution by the Operation Committee.

- (i) The deposits can be used for a transaction specified by a Cabinet Order as prescribed in Article 69-2, paragraph (1) based on the contract or practice of such transaction.
- (ii) The deposits are repayable to their depositors on demand.

- (iii) The deposits bear no interest.
- (2) The provisions of paragraphs (2) to (5) of the preceding Article apply mutatis mutandis to the rate prescribed in the preceding paragraph. In this case, the term "excluding those pertaining to" in paragraph (2) of the preceding Article is deemed to be replaced with "limited to those pertaining to."

(Late Payment Charge)

- Article 52 (1) A Financial Institution shall pay a late payment charge to the Corporation in the event that such Financial Institution fails to pay insurance premiums by the due date.
- (2) The amount of the late payment charge is to be an amount calculated by multiplying the amount of unpaid insurance premiums by 14.5% per annum prorated for the number of days from the day following the due date of payment until the day of payment.

**Section 3 Payment of Insurance Claims, etc.**

(Payment of Insurance Claims, etc.)

- Article 53 (1) When an insurable contingency has occurred, the Corporation is to pay insurance proceeds to Depositors, etc. pertaining to the insurable contingency based on a request by said Depositors, etc.; provided, however, that any payment of claims for Category One Insurable Contingencies is to be conditional upon a decision by the Corporation to pay said amounts under the provisions of Article 56, paragraph (1).
- (2) The insurable contingency prescribed in the preceding paragraph is not to include any other insurable contingency occurring thereafter (in the event that the proviso to the preceding paragraph applies, after the Corporation has made a decision referred to in said proviso) in relation to said insurable contingency with respect to the Financial Institution subject to said insurable contingency (referred to as "Related Insurable Contingency" in Article 57, paragraph (1), item (ii)).
- (3) The Corporation may pay insurance proceeds by depositing with a Financial Institution an amount equivalent to the insurance proceeds of each of the Depositors, etc. pertaining to said insurable contingency and by transferring the claims pertaining to said deposits to the Depositors, etc. pertaining to said insurable contingency.
- (4) When an insurable contingency has occurred, the Corporation may, based on a request by Depositors, etc. pertaining to said insurable contingency, make a provisional payment to such Depositors, etc. in accordance with a Cabinet Order within an amount specified by a Cabinet Order.
- (5) The request prescribed in paragraph (1) or the preceding paragraph may only

be made within the payment period for which public notice was given under Article 57, paragraph (1), (2) or (4); provided, however, that this does not apply at the time of a natural disaster or if the Corporation finds any other unavoidable reason for the failure to make the request within the payment period.

(Amount of Insurance Claims, etc. Pertaining to General Deposits, etc.)

- Article 54 (1) The amount of insurance proceeds pertaining to the General Deposits, etc. (excluding those held under the name of another person and other General Deposits, etc. specified by a Cabinet Order; hereinafter referred to as "Covered General Deposits, etc.") of each of the Depositors, etc. in a Financial Institution subject to a single insurable contingency is to be an amount equivalent to the aggregate amount (if there is more than one aggregate amount for the same person, the total of such amounts) of the principal (in the case of the money specified in Article 2, paragraph (2), item (v) within the Covered General Deposits, etc., the amount of such money; the same applies hereinafter) and interest, etc. (meaning the portion that is not the principal but is interest and other items specified by a Cabinet Order; the same applies hereinafter) of the claims pertaining to the Covered General Deposits, etc. actually held by said person in said Financial Institution on the day of occurrence of said insurable contingency (limited to those actually held by said person at the time of making a request under paragraph (1) of the preceding Article and including those no longer held due to the provisional payment under paragraph (4) of the preceding Article (limited to those pertaining to the Covered General Deposits, etc.; hereinafter the same applies in this Article) and the repayment of the Covered General Deposits, etc. pertaining to the loan under Article 69-3, paragraph (1) or as applied mutatis mutandis pursuant to Article 127; the same applies in the following paragraph).
- (2) If the amount of principal (if there is more than one amount for the same person, the total of such amounts) under the preceding paragraph exceeds an amount specified by a Cabinet Order (hereinafter referred to as "Base Insurance Amount"), the amount of insurance proceeds pertaining to the Covered General Deposits, etc. is to be the total of the Base Insurance Amount and the amount of interest, etc. pertaining to the principal corresponding to the Base Insurance Amount. In this case, if there is more than one amount of principal for the same person, the principal corresponding to the Base Insurance Amount is to be the total of the amounts of principal prescribed in the following items up to the Base Insurance Amount:
- (i) When there are claims pertaining to the Covered General Deposits, etc., some of which are the subject matter of a security interest, the principal pertaining to those that are not the subject matter of a security interest is to

- have priority;
- (ii) When two or more claims pertaining to the Covered General Deposits, etc., which are not the subject matter of a security interest, are held by the same person, the principal pertaining to those with an earlier due date is to have priority;
  - (iii) In the case referred to in the preceding item, if two or more claims with the same due date pertaining to the Covered General Deposits, etc. are held by the same person, the principal pertaining to those with a lower interest rate (meaning the rate of interest and other similar matters specified by a Cabinet Order; the same applies in the following item) is to have priority;
  - (iv) In the case referred to in the preceding item, if two or more claims with the same interest rate pertaining to the Covered General Deposits, etc. are held by the same person, the principal pertaining to those designated by the Corporation is to have priority;
  - (v) When two or more claims pertaining to the Covered General Deposits, etc., which are the subject matter of a security interest, are held by the same person, the principal pertaining to those designated by the Corporation is to have priority;
- (3) Notwithstanding the provisions of the preceding two paragraphs, in the event that any of the Depositors, etc. pertaining to an insurable contingency have received provisional payment under paragraph (4) of the preceding Article or repayment of the Covered General Deposits, etc. pertaining to the loan under Article 69-3, paragraph (1) as applied mutatis mutandis pursuant to Article 127 with respect to said insurable contingency, the amount of insurance proceeds for the Covered General Deposits, etc. of said person is to be reduced by the amount of said provisional payment and repayment of the Covered General Deposits, etc. pertaining to the loan under Article 69-3, paragraph (1) as applied mutatis mutandis pursuant to Article 127 (excluding any amount to be repaid to the Corporation under the following paragraph) pursuant to the provisions of a Cabinet Order concerning the amounts prescribed in these provisions.
- (4) When the amount of provisional payment made under paragraph (4) of the preceding Article to any of the Depositors, etc. pertaining to an insurable contingency exceeds an amount calculated pursuant to the provisions of a Cabinet Order within the amounts of insurance proceeds prescribed in paragraph (1) and (2), said persons shall repay to the Corporation the amount of such excess.

(Amount of Insurance Claims Pertaining to Deposits for payment and settlement purposes)

Article 54-2 (1) The amount of insurance proceeds pertaining to the Deposits for

payment and settlement purposes (excluding those held under the name of another person and other Deposits for payment and settlement purposes specified by a Cabinet Order; hereinafter referred to as "Covered Deposits for Settlement") of each of the Depositors, etc. in a Financial Institution subject to a single insurable contingency is to be an amount equivalent to the amount of principal (if there is more than one amount for the same person, the total of such amounts) of the claims pertaining to the Covered Deposits for payment and settlement purposes actually held by said Depositors, etc. in said Financial Institution on the day of occurrence of said insurable contingency (limited to those actually held by said Depositors, etc. at the time of making a request under Article 53, paragraph (1) and including those no longer held due to the provisional payment under Article 53, paragraph (4) (limited to those pertaining to the Covered Deposits for Settlement; the same applies in the following paragraph) or repayment of the Covered Deposits for Settlement pertaining to the loan under Article 69-3, paragraph (1) (including the cases where it is applied mutatis mutandis pursuant to Article 127; the same applies in the following paragraph)).

- (2) The provisions of paragraph (3) of the preceding Article apply mutatis mutandis to cases where the Depositors, etc. pertaining to an insurable contingency have received, with regard to the Covered Deposits for Settlement held thereby, the provisional payment under Article 53, paragraph (4) or repayment of the Covered Deposits for payment and settlement purposes pertaining to the loan under Article 69-3, paragraph (1) with respect to said insurable contingency. In this case, the terms "Notwithstanding the provisions of the preceding two paragraphs" and "these provisions" in paragraph (3) of the preceding Article are deemed to be replaced with "Notwithstanding the provisions of Article 54-2, paragraph (1)" and "said provisions."

(Special Provisions for Deposits, etc. Pertaining to Defined Contribution Pension)

Article 54-3 (1) In the event that any of the Depositors, etc. of a Financial Institution subject to a single insurable contingency is an Asset Management Institution (limited to the trustee of a trust prescribed in Article 8, paragraph (1), item (i) of the Defined Contribution Pension Act (Act No. 88 of 2001)) prescribed in Article 2, paragraph (7), item (i), (b) of said Act, an Association prescribed in Article 2, paragraph (5) of said Act, or a trustee (limited to trust companies (including the Financial Institutions engaged in trust operations)) of affairs prescribed in Article 61, paragraph (1), item (iii) of said Act (hereinafter referred to as "Asset Management Institution, etc."), the amount of insurance proceeds of said person is to, notwithstanding the provisions of the Insurance Claim Calculation Provision, be the remaining amount after



deducting the amount specified in item (ii) from the amount specified in item (i), adding thereto the amount specified in item (iii).

- (i) With regard to claims pertaining to the covered Deposits, etc. (meaning the Covered General Deposits, etc. or Covered Deposits for payment and settlement purposes; the same applies hereinafter) of said Asset Management Institution, etc. (limited to those actually held by the Depositors, etc. holding said covered Deposits, etc. at the time of making a request under Article 53, paragraph (1) and including those no longer held due to the provisional payment under Article 53, paragraph (4) or repayment of the covered Deposits, etc. pertaining to the loan under Article 69-3, paragraph (1) (including the cases where it is applied mutatis mutandis pursuant to Article 127); hereinafter the same applies in this Article) that pertain to the investment of reserves of defined contribution pensions (meaning the reserves prescribed in Article 8, paragraph (1) of the Defined Contribution Pension Act; hereinafter the same applies in this Article), the total of the amounts that are deemed to be the amount of insurance proceeds for each of the subscribers, etc. (meaning the subscribers, etc. prescribed in Article 2, paragraph (7), item (i), (a) of said Act; hereinafter the same applies in this Article) who have instructed said investment, when the Insurance Claim Calculation Provision is applied in the event that, within the claims pertaining to the covered Deposits, etc. actually held by said Asset Management Institution, etc. in said Financial Institution on the day of occurrence of said insurable contingency (hereinafter referred to as "Insurable Contingency Date" in this paragraph), those portions that are equivalent to the amount of managed assets per individual (meaning the amount of managed assets per individual prescribed in Article 2, paragraph (13) of said Act) of said subscribers, etc. (referred to as "Deposit Claims Equivalent to Amount of Managed Assets Per Individual" in the following paragraph) are deemed to be claims pertaining to the covered Deposits, etc. of said subscribers, etc.
- (ii) The total of the amounts of insurance proceeds under the Insurance Claim Calculation Provision with respect to each of the claims pertaining to the covered Deposits, etc. actually held by said subscribers, etc. in said Financial Institution on the Insurable Contingency Date.
- (iii) The amount of insurance proceeds under the Insurance Claim Calculation Provision other than those pertaining to the investment of the reserves of defined contribution pensions, within the claims pertaining to the covered Deposits, etc. actually held by said Asset Management Institution, etc. in said Financial Institution on the Insurable Contingency Date.
- (2) In the event that the provisions of Article 54, paragraph (2) are applied under item (i) of the preceding paragraph, the principal corresponding to Base

Insurance Amount is to be the total of the amounts of principal prescribed in the following items up to the Base Insurance Amount:

- (i) When there are Deposit Claims Equivalent to Amount of Managed Assets Per Individual of subscribers, etc., within the claims pertaining to the covered Deposits, etc. of said subscribers, etc. and those of said Asset Management Institution, etc. before the application of the provisions of item (i) of the preceding paragraph, the principal of the claims pertaining to the covered Deposits, etc. of said subscribers, etc. is to have priority.
  - (ii) When there are two or more Deposit Claims Equivalent to Amount of Managed Assets Per Individual of subscribers, etc. within the claims pertaining to the covered Deposits, etc. of said Asset Management Institution, etc., the principal pertaining to those designated by the Corporation is to have priority.
- (3) In the case referred to in paragraph (1), if the payment of insurance proceeds is made to an Asset Management Institution, etc. under Article 53, paragraph (1), the amount after deducting the amount specified in paragraph (1), item (ii) from the amount specified in paragraph (1), item (i) pertaining to subscribers, etc. within said insurance proceeds is to be deemed to be reserved in the managed assets per individual (meaning the managed assets per individual prescribed in Article 2, paragraph (12) of the Defined Contribution Pension Act) of said subscribers, etc.
- (4) In applying the provisions of Article 2, paragraph (11) in the case referred to in paragraph (1), the term "and Article 54-2, paragraph (1)" in Article 2, paragraph (11) is to be taken as meaning ", Article 54-2, paragraph (1), and Article 54-3, paragraphs (1) and (2)."

(Notice of Insurable Contingency)

Article 55 (1) A Financial Institution shall immediately notify the Corporation upon the occurrence of an insurable contingency pertaining to the Financial Institution.

(2) The Prime Minister, the Minister of Finance, the Minister of Health, Labour and Welfare, or the Minister of Economy, Trade and Industry shall immediately notify the Corporation upon the occurrence of any of the following events:

- (i) When they have rescinded the business license of, or passed a resolution on the authorization to dissolve, a Financial Institution under their supervision.
  - (ii) When they have become aware that a Financial Institution under their supervision has become subject to Category One Insurable Contingency.
  - (iii) When they have received notice under Article 137-2, paragraph (1).
- (3) Upon receiving notice under paragraph (1) or notice from the Minister of Health, Labour and Welfare or Minister of Economy, Trade and Industry under

the preceding paragraph, the Corporation shall immediately report to that effect to the Prime Minister and the Minister of Finance.

- (4) Upon receiving notice from the Prime Minister under paragraph (2), the Corporation shall immediately report to that effect to the Minister of Finance.
- (5) Upon receiving notice from the Minister of Finance under paragraph (2), the Corporation shall immediately report to that effect to the Prime Minister.

(Ascertaining Amount of Claims Pertaining to Deposits, etc.)

Article 55-2 (1) Upon becoming aware that a Financial Institution has become subject to an insurable contingency, the Corporation shall promptly ascertain the amount of claims pertaining to the Deposits, etc. actually held in said Financial Institution as of the day of the occurrence of said insurable contingency by each of the Depositors, etc. of said Financial Institution.

- (2) When the Corporation finds it necessary for promptly ascertaining the amount of claims pertaining to the Deposits, etc. prescribed in the preceding paragraph, the Corporation may, by clearly indicating to that effect, request the Financial Institution to submit materials concerning the names and addresses of the Depositors, etc., details of claims pertaining to the Deposits, etc. and other matters specified by a Cabinet Office Ordinance and an Ordinance of the Ministry of Finance.
- (3) A Financial Institution shall, if requested to submit materials under the preceding paragraph, submit them without delay using electronic data processing systems or magnetic tapes (including any other medium in which certain matters can be securely recorded by equivalent means) pursuant to the provisions of a Cabinet Office Ordinance and an Ordinance of the Ministry of Finance.
- (4) A Financial Institution shall prepare a database pertaining to the Deposits, etc. (meaning the collection of information pertaining to the Deposits, etc. that is systematically organized so that the information may be retrieved by using computers) and electronic data processing systems and take any other measures necessary for submitting materials under the preceding paragraph.

(Decision on Payment)

Article 56 (1) If any of the events listed in the following items occurs, the Corporation shall, following a resolution by the Operation Committee, decide whether to pay insurance proceeds with respect to the insurable contingency prescribed in each of the following items within one month of the day specified in such item:

- (i) When notice is received under Article 55, paragraph (1) or (2) concerning the Category One Insurable Contingency: the day on which the notice is received.
- (ii) In addition to the case referred to in the preceding item, if the Corporation

- has become aware that the Category One Insurable Contingency has occurred: the day on which the Corporation has become aware of such occurrence.
- (iii) When notice is received under Article 66, paragraph (1) to the effect that the resolution, decision, or consent prescribed in Article 66, paragraph (1) has failed to be obtained for a merger, the Business Transfer, etc., Transfer of Insured Deposits, share exchange or share transfer involving a Financial Institution subject to the Category One Insurable Contingency as a party thereto: the day on which the notice is received.
  - (iv) In addition to the case referred to in the preceding item, if the Corporation has become aware that the resolution, decision, or consent prescribed in Article 66, paragraph (1) has failed to be obtained for a merger, Business Transfer, etc., Transfer of Insured Deposits, share exchange or share transfer involving a Financial Institution subject to the Category One Insurable Contingency as a party thereto: the day on which the Corporation has become aware of such fact.
- (2) In the event that the Corporation applies for an extension of the time limit under the preceding paragraph following a resolution of the Operation Committee, the Prime Minister and the Minister of Finance may grant the extension for a period not exceeding one month.
- (3) If any of the events listed in the following items occurs, the Corporation shall, following a resolution of the Operation Committee, decide whether to make provisional payment under Article 53, paragraph (4) with respect to an insurable contingency prescribed in each of the following items within one week of the day specified in such item:
- (i) When notice is received under Article 55, paragraph (1) or (2) concerning an insurable contingency: the day on which the notice is received.
  - (ii) In addition to the case referred to in the preceding item, if the Corporation has become aware that an insurable contingency has occurred: the day on which the Corporation has become aware of such occurrence.
  - (iii) If notice is received under Article 66, paragraph (1) to the effect that the resolution, decision, or consent prescribed in Article 66, paragraph (1) has failed to be obtained for a merger, Business Transfer, etc., Transfer of Insured Deposits, share exchange or share transfer involving a Financial Institution subject to the Category One Insurable Contingency as a party thereto: the day on which the notice is received.
  - (iv) In addition to the case referred to in the preceding item, if the Corporation has become aware that the resolution, decision, or consent prescribed in Article 66, paragraph (1) has failed to be obtained for a merger, Business Transfer, etc., Transfer of Insured Deposits, share exchange or share transfer involving a Financial Institution subject to the Category One

Insurable Contingency as a party thereto: the day on which the Corporation has become aware of such fact.

- (4) Upon making a decision under paragraph (1) or the preceding paragraph, the Corporation shall immediately report matters pertaining to the decision to the Prime Minister and the Minister of Finance (to the Prime Minister, the Minister of Finance, and the Minister of Health, Labour and Welfare if the decision relates to a labor bank or The Rokinren Bank, and to the Prime Minister, the Minister of Finance, and the Minister of Economy, Trade and Industry if the decision relates to The Shoko Chukin Bank, Ltd.).

(Public Notice of Payment, etc.)

Article 57 (1) The Corporation shall, following a resolution of the Operation Committee, promptly determine the period, place, and method of payment of insurance proceeds and other matters specified by a Cabinet Order and give public notice thereof in the following cases:

- (i) When the Corporation has made a decision under paragraph (1) of the preceding Article to pay insurance proceeds pertaining to the Category One Insurable Contingency;
  - (ii) When the Corporation has received notice under Article 55, paragraph (1) or (2) concerning the Category Two Insurable Contingency (excluding the Related Insurable Contingency; the same applies in the following item);
  - (iii) In addition to the case referred to in the preceding item, if the Corporation has become aware that the Category Two Insurable Contingency has occurred;
- (2) When the Corporation has made a decision pursuant to the provisions of paragraph (3) of the preceding Article to make provisional payment under Article 53, paragraph (4), the Corporation shall, following a resolution by the Operation Committee, promptly determine the period, place, and method of payment of said provisional payment and other matters specified by a Cabinet Order and give public notice thereof.
- (3) If, after giving public notice under the preceding two paragraphs, there is public notice under Article 197, paragraph (1) of the Bankruptcy Act (Act No. 75 of 2004) (including the cases where it is applied mutatis mutandis pursuant to Article 209, paragraph (3) of said Act), notice under Article 137-2, paragraph (2), or any other event specified by a Cabinet Order with respect to said Financial Institution, the Corporation may, pursuant to the provisions of a Cabinet Order, change the payment period that was publicly announced under the provisions of the preceding two paragraphs.
- (4) When the Corporation has changed the payment period under the preceding paragraph, the Corporation shall give public notice of matters pertaining to said change without delay.

(5) The provisions of paragraph (4) of the preceding Article apply mutatis mutandis to cases where the matters prescribed in paragraph (1) or (2) have been decided and where the payment period has been changed under paragraph (3).

(Acquisition of Claims, etc.)

Article 58 (1) When a request is made for the payment of insurance proceeds under Article 53, paragraph (1), the Corporation will, pursuant to the provisions of a Cabinet Order, acquire claims pertaining to the covered Deposits, etc. held in a Financial Institution by the Depositors, etc. pertaining to said request, according to the amount of insurance proceeds that are required to be paid to said Depositors, etc. under the Insurance Claim Calculation Provision.

(2) When the claims pertaining to the covered Deposits, etc. acquired under the preceding paragraph include any claim that is subject to a security interest, the Corporation may, pursuant to the provisions of a Cabinet Order, defer the payment of insurance proceeds up to an amount equivalent to the claim pertaining to the covered Deposits, etc. (limited to the portion that has been acquired by the Corporation) that are subject to said security interest until the extinction of the secured claim pertaining to said security interest.

(3) When the Corporation has made provisional payment to the Depositors, etc. under Article 53, paragraph (4), the Corporation will, according to the amount of such payment (excluding the amount to be repaid to the Corporation under Article 54, paragraph (4)), acquire claims pertaining to the covered Deposits, etc. held in a Financial Institution by said Depositors, etc.

(Concerning Taxation)

Article 58-2 (1) In the event that Depositors, etc. receive payment of insurance proceeds in connection with claims pertaining to the covered Deposits, etc. (excluding those pertaining to the Long-Term Credit Bank Bonds, etc. issued by means of a discount, among those listed in Article 2, paragraph (2), item (v)) held by said Depositors, etc. (hereinafter referred to as "Deposits and Other Claims" in this paragraph), when the Deposits and Other Claims acquired by the Corporation according to the amount of insurance proceeds for which said payment is received include any interest, etc., an amount equivalent to said interest, etc. is deemed to be the amount prescribed in each of the following items according to the category of the covered Deposits, etc. pertaining to said Deposits and Other Claims prescribed in each respective item, in applying the provisions of the Income Tax Act (Act No. 33 of 1965) and other laws and regulations concerning income tax:

(i) Deposits: Interests on said deposits

- (ii) Installment savings: Compensation money for benefits (meaning the compensation money for benefits specified in Article 174, item (iii) of the Income Tax Act) based on contracts for said installment savings
  - (iii) Installment deposits specified in Article 2, paragraph (2), item (iii): Compensation money for benefits (meaning the compensation money for benefits specified in Article 174, item (iv) of the Income Tax Act) based on contracts for said installment deposits
  - (iv) Money specified in Article 2, paragraph (2), item (iv): Distribution of profits under money trusts prescribed in Article 2, paragraph (2), item (iv) pertaining to said money
  - (v) Money specified in Article 2, paragraph (2), item (v): Interests on the Long-Term Credit Bank Bonds, etc. (excluding those issued by means of a discount)
- (2) In the event that the provisions of the preceding paragraph apply, any necessary matters for the application of special provisions for Article 4-2 and Article 4-3 of the Act on Special Measures Concerning Taxation (Act No. 26 of 1957) and other provisions of the preceding paragraph will be specified by a Cabinet Order.

(Measures for Payment of Insurance Claims, etc. Pertaining to Deposits for payment and settlement purposes)

Article 58-3 (1) A Financial Institution shall develop electronic data processing systems and take any other measures specified by a Cabinet Office Ordinance in order to secure the smooth payment of insurance proceeds pertaining to the Covered Deposits for Settlement or repayment thereof in the event of occurrence of an insurable contingency.

- (2) The Prime Minister may, if he/she finds that the measures prescribed in the preceding paragraph have not been taken, order a Financial Institution to take said measures to the extent necessary, by a specified time.

#### **Section 4 Financial Assistance**

(Application for Financial Assistance)

Article 59 (1) A Financial Institution undertaking a merger, etc. that is not a Failed Financial Institution (hereinafter referred to as an "Assuming Financial Institution") or a Bank Holding Company, etc. undertaking a merger, etc. (hereinafter referred to as an "Assuming Bank Holding Company, etc.") may apply to have the Corporation take the following measures (in the case of measures specified in item (vi), excluding those provided to the companies specified in Article 2, paragraph (5), item (v); hereinafter referred to as "Financial Assistance") to support the merger, etc.:

- (i) Donation of money
  - (ii) Loan or deposit of funds
  - (iii) Purchase of assets
  - (iv) Guarantee of obligations
  - (v) Assumption of obligations
  - (vi) Subscription for Preferred Shares, etc.
  - (vii) Securing of Damage
- (2) The term "merger, etc." as used in the preceding paragraph means the following:
- (i) A merger in which a Financial Institution that merges with a Failed Financial Institution survives;
  - (ii) A merger in which a Financial Institution is established through the merger of a Failed Financial Institution and another Financial Institution;
  - (iii) A Business Transfer, etc. in which a Failed Financial Institution transfers its business to another Financial Institution (in the case of transfer of part of the business, limited to those accompanied by the assumption of obligations pertaining to the Deposits, etc. of a Failed Financial Institution that include obligations pertaining to the Deposits, etc. corresponding to the amount of insurance proceeds calculated under the Insurance Claim Calculation Provision)
  - (iii)-2 Transfer of Insured Deposits
  - (iv) An acquisition of shares of a Failed Financial Institution by another Financial Institution or Bank Holding Company, etc. to implement matters specified by the Prime Minister and the Minister of Finance as being necessary for ensuring sound and appropriate operation of said Failed Financial Institution.
- (3) The Financial Assistance prescribed in paragraph (1) provided to support a merger specified in item (ii) of the preceding paragraph is to be provided to the Assuming Financial Institution or Financial Institution that will be established by the merger, and if there are two or more Assuming Financial Institutions involved in the merger, the application prescribed in paragraph (1) is to be made in the joint names of said Assuming Financial Institutions.
- (4) The purchase of assets specified in item (iii) of paragraph (1) is to be conducted with respect to the assets of a Failed Financial Institution pertaining to a merger, etc. (meaning the merger, etc. prescribed in paragraph (2); the same applies hereinafter) or assets specified in each of the following items according to the category of merger, etc. specified in such item, and if the Financial Assistance pertaining to the application prescribed in paragraph (1) includes the purchase of assets of a Failed Financial Institution pertaining to a merger, etc., the Assuming Financial Institution or Assuming Bank Holding Company, etc. pertaining to the merger, etc. is to apply to the Corporation in



the joint names of said Failed Financial Institution for the Corporation to purchase said assets:

- (i) A merger specified in item (i) of paragraph (2): the assets of the Financial Institution surviving through the merger (limited to those that were the assets of the Failed Financial Institution prior to the merger);
  - (ii) A merger specified in item (ii) of paragraph (2): the assets of the Financial Institution that will be established by the merger (limited to those that were the assets of the Failed Financial Institution prior to the merger);
  - (iii) A Business Transfer, etc. specified in item (iii) of paragraph (2): the assets of another Financial Institution prescribed in item (iii) of paragraph (2) that have been received through said Business Transfer, etc.; and
  - (iv) The acquisition of shares specified in item (iv) of paragraph (2): the assets of a Financial Institution whose shares have been so acquired.
- (5) The Securing of Damage specified in item (vii) of paragraph (1) is to be performed with respect to the loan claims that are the assets prescribed in each of the preceding paragraphs according to the category of merger, etc. specified in such item.
- (6) A Financial Institution and Bank Holding Company, etc. that has made an application under paragraph (1) or (4) shall promptly report to that effect to the Prime Minister (in the case of a labor bank or The Rokinren Bank, to the Prime Minister and the Minister of Health, Labour and Welfare, and in the case of The Shoko Chukin Bank, Ltd., to the Prime Minister, the Minister of Finance, and the Minister of Economy, Trade and Industry).
- (7) Upon receiving an application under paragraph (1) or (4), the Corporation shall promptly report to that effect to the Minister of Finance; provided, however, that this does not apply to cases where the Financial Institution that has made said application is The Shoko Chukin Bank, Ltd.

(Special Provisions for Application of Financial Assistance)

- Article 59-2 (1) An Assuming Financial Institution undertaking a merger, etc. (limited to the Business Transfer, etc. specified in item (iii) of paragraph (2) of the preceding Article whereby a Failed Financial Institution transfers part of its business to another Financial Institution or the Transfer of Insured Deposits) may apply to have the Corporation provide Financial Assistance to said Failed Financial Institution (limited to those specified in item (i) of paragraph (1) of the preceding Article) in order to ensure equity between creditors of the Failed Financial Institution.
- (2) The application under the preceding paragraph is to be made in joint names with the Failed Financial Institution pertaining to the merger, etc.
- (3) The provisions of paragraph (6) of the preceding Article apply mutatis mutandis to an Assuming Financial Institution and Failed Financial

Institution that have made an application under the provisions of the preceding two paragraphs, and the provisions of paragraph (7) of the preceding Article apply mutatis mutandis to the Corporation that has received an application under the provisions of the preceding two paragraphs.

- Article 60 (1) A Financial Institution designated by the Prime Minister that, in order to support a merger, etc., loans funds to a Financial Institution pertaining to the merger, etc. (excluding the Failed Financial Institution) or to a Bank Holding Company, etc. pertaining to the merger, etc. or conducts any other act specified by a Cabinet Order may apply to the Corporation for Financial Assistance (limited to those specified in Article 59, paragraph (1), item (ii) or (iv)).
- (2) A Financial Institution that has made an application under the preceding paragraph shall promptly report to that effect to the Prime Minister (in the case of a labor bank or The Rokinren Bank, to the Prime Minister and the Minister of Health, Labour and Welfare).
- (3) Upon receiving an application under paragraph (1), the Corporation shall promptly report to that effect to the Minister of Finance.

(Authorization of Eligibility)

- Article 61 (1) With regard to a merger, etc. pertaining to an application prescribed in Article 59, paragraph (1), Article 59-2, paragraph (1), or paragraph (1) of the preceding Article, a Failed Financial Institution and Assuming Financial Institution or Failed Financial Institution and Assuming Bank Holding Company, etc. pertaining to said merger, etc. shall obtain the authorization of the Prime Minister by the time the application under these provisions is made.
- (2) The authorization under the preceding paragraph shall be made in the joint names of the Failed Financial Institution and Assuming Financial Institution or Failed Financial Institution and Assuming Bank Holding Company, etc. prescribed in the preceding paragraph.
- (3) The Prime Minister may not grant authorization under paragraph (1) unless all of the following requirements are satisfied:
- (i) The merger, etc. contributes to the protection of the Depositors, etc. and other creditors;
  - (ii) The Financial Assistance by the Corporation is indispensable for carrying out the merger, etc.
  - (iii) If the merger, etc. is not carried out for the Failed Financial Institution pertaining thereto and such Failed Financial Institution abolishes all its business or is dissolved, it is likely to cause considerable detriment to the smooth supply and demand of funds and convenience of consumers in the

region or fields in which said Failed Financial Institution conducts its business.

- (4) The Prime Minister shall, when granting authorization under paragraph (1) to a labor bank or The Rokinren Bank, obtain consent from the Minister of Health, Labour and Welfare, and when granting authorization under paragraph (1) to The Shoko Chukin Bank, Ltd., obtain consent from the Minister of Finance and the Minister of Economy, Trade and Industry.
- (5) The Prime Minister shall, when granting authorization under paragraph (1), make clear which Financial Institution pertaining to said authorization is a Failed Financial Institution.
- (6) Upon granting the authorization under paragraph (1), the Prime Minister shall notify the Corporation to that effect.
- (7) Upon receiving notice under the preceding paragraph, the Corporation shall promptly report to that effect to the Minister of Finance.
- (8) In the event that a company seeking to acquire the shares of a Failed Financial Institution has applied for authorization set forth in Article 52-17, paragraph (1) of the Banking Act or Article 16-2-4, paragraph (1) of the Long-Term Credit Bank Act with regard to the fact that, as a result of such acquisition, said company will become a holding company which has a Bank as its subsidiary company or Holding company which has a Long-Term Credit Bank as its subsidiary company (hereinafter referred to as "Holding Company Authorization" in this paragraph), the Prime Minister may not grant authorization under paragraph (1) until after she/he has granted the Holding Company Authorization to said company.

(Mediation of Merger, etc.)

- Article 62 (1) Even in cases where no application is being made under paragraph (2) of the preceding Article, if a Financial Institution falls under a Failed Financial Institution and the Prime Minister finds that such Failed Financial Institution satisfies the requirements specified in item (iii) of paragraph (3) of the preceding Article, he/she may provide mediation in writing with regard to said merger, etc. (excluding those specified in Article 59, paragraph (2), item (ii) and limited to those that contribute to the protection of the Depositors, etc. and other creditors and for which the Financial Assistance by the Corporation is indispensable) between said Failed Financial Institution and another Financial Institution or said Failed Financial Institution and a Bank Holding Company, etc.
- (2) Notwithstanding the provisions of paragraph (1) of the preceding Article, another Financial Institution or Bank Holding Company, etc. prescribed in the preceding paragraph that has received the mediation under the preceding paragraph may make an application under Article 59, paragraph (1) or Article

59-2, paragraph (1).

- (3) Notwithstanding the provisions of paragraph (1) of the preceding Article, a Financial Institution designated by the Prime Minister under Article 60, paragraph (1) that, in order to support a merger, etc. pertaining to the mediation under paragraph (1), loans funds under Article 60, paragraph (1) to another Financial Institution or Bank Holding Company, etc. that has received said mediation, or conducts any other act specified by a Cabinet Order, may make an application under Article 60, paragraph (1).
- (4) The provisions of paragraphs (4) to (7) of the preceding Article apply mutatis mutandis to cases where the mediation is provided under paragraph (1).
- (5) The Prime Minister may, if he/she finds it necessary for providing the mediation set forth in paragraph (1), within the limit of that necessity, deliver material related to the status of business and property of a Failed Financial Institution or a Financial Institution recognized as having a high probability of becoming a Failed Financial Institution to another Financial Institution or Bank Holding Company, etc. and make any other preparations for said mediation.
- (6) The Prime Minister may request necessary cooperation from the Corporation for the mediation under paragraph (1) or preparations under the preceding paragraph.

Article 63 Deleted.

(Financial Assistance)

- Article 64 (1) Upon receiving an application under Article 59, paragraph (1) or (4), Article 59-2, paragraph (1), or Article 60, paragraph (1), the Corporation shall, following a resolution of the Operation Committee, decide whether to grant the Financial Assistance pertaining to the application without delay.
- (2) When making a decision under the preceding paragraph, the Operation Committee shall take into consideration the financial conditions of the Corporation, expected costs of the Financial Assistance pertaining to said decision, and expected costs for the payment of insurance proceeds with respect to an insurable contingency of the Failed Financial Institution pertaining to said Financial Assistance, and give due consideration to the efficient use of the Corporation's assets.
  - (3) Upon making a decision under paragraph (1), the Corporation shall immediately report matters pertaining to said decision to the Prime Minister and the Minister of Finance (if said decision pertains to a merger, etc. to which a labor bank or The Rokinren Bank is a party, to the Prime Minister, the Minister of Finance, and the Minister of Health, Labour and Welfare, and if said decision pertains to a merger, etc. to which The Shoko Chukin Bank, Ltd.

is a party, to the Prime Minister, the Minister of Finance, and the Minister of Economy, Trade and Industry).

- (4) Upon making a decision to provide the Financial Assistance under paragraph (1), the Corporation is to conclude a contract concerning said Financial Assistance with a Financial Institution or Bank Holding Company, etc. pertaining to the application for said Financial Assistance.
- (5) When the Financial Assistance pertaining to the contract prescribed in the preceding paragraph includes the Securing of Damage, the Financial Institution or Bank Holding Company, etc. pertaining to said contract is to stipulate therein that, if profits are accrued with respect to loan claims pertaining to the Securing of Damage, it is to pay part of said profits to the Corporation, or take measures to cause a person who is to hold said loan claims as a result of said merger, etc. to pay part of said profits to the Corporation.

(Financial Assistance Pertaining to Subscription for Preferred Shares, etc.)

- Article 64-2 (1) When an application is made under Article 59, paragraph (1) for the Subscription for Preferred Shares, etc., the Assuming Financial Institution or Assuming Bank Holding Company, etc. (excluding the companies specified in Article 2, paragraph (5), item (v); hereinafter the same applies in this Article) pertaining to said application shall, at the time of making said application, submit to the Corporation a plan setting forth measures specified by a Cabinet Order as measures to ensure the soundness of financial conditions, etc.
- (2) When a resolution prescribed in paragraph (1) of the preceding Article relates to an application for the Subscription for Preferred Shares, etc., the Operation Committee may not adopt a resolution to carry out said Subscription for Preferred Shares, etc. unless, in light of the adequacy of equity capital of the Assuming Financial Institution or Assuming Bank Holding Company, etc. pertaining to said application, said Subscription for Preferred Shares, etc. does not exceed the scope necessary for the smooth implementation of said merger, etc. and conforms to other standards prescribed by the Prime Minister, the Minister of Finance, the Minister of Health, Labour and Welfare, and the Minister of Economy, Trade and Industry.
  - (3) In the event that an application is made under Article 59, paragraph (1) for the Subscription for Preferred Shares, etc., if the Corporation intends to make a decision to provide the Financial Assistance, it shall, following a resolution prescribed in the preceding paragraph, obtain prior approval from the Prime Minister and the Minister of Finance (if said application is made by a labor bank or The Rokinren Bank, from the Prime Minister, the Minister of Finance, and the Minister of Health, Labour and Welfare, and if said application is made by The Shoko Chukin Bank, Ltd., from the Prime Minister, the Minister of Finance, and the Minister of Economy, Trade and Industry).

- (4) In the event that an application under Article 59, paragraph (1) for the Subscription for Preferred Shares, etc. is made to support a merger, etc. (limited to those specified in Article 59, paragraph (2), item (ii)), if the Corporation has made a decision under paragraph (1) of the preceding Article, a plan submitted pursuant to the provisions of paragraph (1) is to, following said merger, etc., be deemed to have been submitted by a Financial Institution established by said merger, etc. for the purpose of applying the provisions of this Article.
- (5) Until the Corporation disposes or receives redemption or repayment of all acquired Preferred Shares, etc. or acquired loan claims (meaning those loan claims acquired by the Corporation through the Subscription for Preferred Shares, etc. based on a decision under paragraph (1) of the preceding Article; hereinafter the same applies in this Article to Article 68-3), the Corporation may request an Assuming Financial Institution (including the Financial Institutions established by the merger pertaining to Subscription for Preferred Shares, etc.; hereinafter the same applies in this Article to Article 68-3) or Assuming Bank Holding Company, etc. that is an issuer of said acquired Preferred Shares, etc. or obligor pertaining to acquired loan claims actually held by the Corporation to report the status of implementation of the plan that was submitted under paragraph (1) and make such report public.
- (6) The term "acquired Preferred Shares, etc." as used in the preceding paragraph means the following:
- (i) The Preferred Shares, etc. (including the following) and other Shares, etc. specified by a Cabinet Order acquired by the Corporation through the Subscription for Preferred Shares, etc. based on a decision under paragraph (1) of the preceding Article;
- (a) In the event that the Preferred Shares, etc. are preferred shares, the following shares;
1. In the event that a request can be made for the conversion of the preferred shares into shares of another class (meaning the delivery of shares of another class in exchange for the acquisition of said preferred shares by their issuing company; hereinafter the same applies in this paragraph), shares of another class into which said shares are converted pursuant to the request.
  2. In the event that the preferred shares are convertible upon the occurrence of certain events, shares of another class into which the preferred shares are converted as a result of such occurrence.
  3. Shares split or consolidated with respect to the preferred shares or the shares of another class specified in 1 or 2.
- (b) In the event that the Preferred Shares, etc. are subordinated bonds, shares delivered through the exercise of share options attached to said

- subordinated bonds and shares split or consolidated with respect thereto.
- (c) In the event that the Preferred Shares, etc. are preferred equity investments, preferred equity investments split with respect to said preferred equity investments.
  - (ii) Preferred shares (including the following) allotted to the Corporation by a company that has become a wholly owning parent stock company in a share exchange (meaning the wholly owning parent stock company in share exchange prescribed in Article 768, paragraph (1), item (i) of the Companies Act; the same applies hereinafter) or wholly owning parent company incorporated through a share transfer (meaning the wholly owning parent company incorporated through share transfer prescribed in Article 773, paragraph (1), item (i) of said Act; the same applies hereinafter) through share exchange or share transfer effected by a Financial Institution or Bank Holding Company, etc. for which the Corporation conducted the Subscription for Preferred Shares, etc. pursuant to a decision under paragraph (1) of the preceding Article, and other Shares, etc. specified by a Cabinet Order.
    - (a) In the event that a request can be made for the conversion of the preferred shares into shares of another class, shares of another class into which said shares are converted pursuant to the request.
    - (b) In the event that the preferred shares are convertible upon the occurrence of certain events, shares of another class into which the preferred shares are converted as a result of such occurrence.
    - (c) Shares split or consolidated with respect to said preferred shares or the shares of another class specified in (a) or (b).

(Reporting of Agreement for Merger, etc.)

Article 65 A Financial Institution or Bank Holding Company, etc. that has received the authorization under Article 61, paragraph (1) or mediation under Article 62, paragraph (1) (hereinafter referred to as "Authorization of Eligibility, etc.") shall, upon concluding an agreement for merger, etc. pertaining to the Authorization of Eligibility, etc., immediately report to that effect to the Prime Minister (in the case of a labor bank or The Rokinren Bank, to the Prime Minister and the Minister of Health, Labour and Welfare, and in the case of The Shoko Chukin Bank, Ltd., to the Prime Minister, the Minister of Finance, and the Minister of Economy, Trade and Industry) and submit a copy of said agreement for merger, etc. (in the case of a Financial Institution or Bank Holding Company, etc. that has concluded a contract with the Corporation under Article 64, paragraph (4), a copy of said agreement for merger, etc. and documents stating the details of the contract under Article 64, paragraph (4)).

(Reporting of Resolution of Shareholders Meeting, etc.)

Article 66 (1) In the event that a resolution or decision of shareholders meeting, etc. or consent of all shareholders or all class shareholders (meaning the consent prescribed in Article 783, paragraph (2) or (4) of the Companies Act; the same applies hereinafter) is required for a merger, Business Transfer, etc., Transfer of Insured Deposits, share exchange, or share transfer under the provisions of this Act, the Companies Act, other Acts, or the articles of incorporation, a Financial Institution that has received the Authorization of Eligibility, etc. shall, when it has obtained or failed to obtain a resolution or decision, or consent of all shareholders or all class shareholders for a merger, Business Transfer, etc., Transfer of Insured Deposits, share exchange or share transfer pertaining to said Authorization of Eligibility, etc., immediately report to that effect to the Prime Minister (in the case of a labor bank or The Rokinren Bank, to the Prime Minister and the Minister of Health, Labour and Welfare, and in the case of The Shoko Chukin Bank, Ltd., to the Prime Minister, the Minister of Finance, and the Minister of Economy, Trade and Industry) and submit the minutes of said shareholders meeting, etc. and other documents specified by a Cabinet Order (including those prepared in the form of an electromagnetic record (meaning a record that is created by an electronic method, magnetic method, or another method which cannot be recognized by human sensory perception, specified by a Cabinet Office Ordinance and an Ordinance of the Ministry of Finance as used for data processing with computers); the same applies in Article 106, paragraph (3)), and shall also notify the Corporation to that effect. The same applies when, in the event that a resolution of shareholders meeting, etc. or consent of all shareholders or all class shareholders is required for share exchange under the provisions of this Act, the Companies Act, or the articles of incorporation, a Bank Holding Company, etc. that has received the Authorization of Eligibility, etc. has obtained or failed to obtain such resolution or consent for share exchange pertaining to said Authorization of Eligibility, etc.

(2) The term "shareholders meeting, etc." as used in the preceding paragraph means, in the case of a Bank, etc., Bank Holding Company, etc., or The Shoko Chukin Bank, Ltd., a shareholders meeting or class meeting (meaning, in the case prescribed in Article 22, paragraph (6) of the Act on Financial Institutions' Merger and Conversion, a shareholders meeting and the shareholders meeting prescribed in Article 22, paragraph (6)), and in the case of the Shinkin Bank, etc., a general meeting or general meeting of representatives.

(3) A Financial Institution or Bank Holding Company, etc. that has received the Authorization of Eligibility, etc. under paragraph (1) shall, in the following cases, immediately report to that effect to the Prime Minister (in the case of a



labor bank or The Rokinren Bank, to the Prime Minister and the Minister of Health, Labour and Welfare, and in the case of The Shoko Chukin Bank, Ltd., to the Prime Minister, the Minister of Finance, and the Minister of Economy, Trade and Industry) and also notify the Corporation to that effect:

- (i) In the event that a Financial Institution or Bank Holding Company, etc. that has received the Authorization of Eligibility, etc. under paragraph (1) seeks to receive the whole or part of business or undertake a merger or share exchange without obtaining approval by a resolution or decision of a shareholders meeting, etc. (meaning the shareholders meeting, etc. prescribed in the preceding paragraph; the same applies in the following item) under Article 468, paragraph (2) or Article 796, paragraph (3) of the Companies Act, the proviso to Article 58, paragraph (2) or the proviso to Article 61-3, paragraph (3) of the Shinkin Bank Act, the second sentence of Article 57-3, paragraph (2) or the proviso to Article 63-5, paragraph (3) of the Small and Medium-Sized Enterprises Cooperatives Act, the proviso to Article 62, paragraph (2) or the proviso to Article 62-6, paragraph (3) of the Labor Bank Act, or Article 30, paragraph (1) or Article 42, paragraph (1) of the Act on Financial Institutions' Merger and Conversion, when said Financial Institution or Bank Holding Company, etc. has come to fall under the case prescribed in Article 468, paragraph (3) or Article 796, paragraph (4) of the Companies Act, Article 58, paragraph (4) or Article 61-3, paragraph (5) of the Shinkin Bank Act, Article 57-3, paragraph (3) or Article 63-5, paragraph (4) of the Small and Medium-Sized Enterprises Cooperatives Act, Article 62, paragraph (4) or Article 62-6, paragraph (5) of the Labor Bank Act, or Article 30, paragraph (2) or Article 42, paragraph (2) of the Act on Financial Institutions' Merger and Conversion; and
  - (ii) In the event that a Financial Institution that has received the Authorization of Eligibility, etc. under paragraph (1) seeks to conduct a Business Transfer, etc. with the permission of the court in lieu of a resolution or decision of a shareholders meeting, etc. or consent of all shareholders or all class shareholders under Article 87 or Article 43 of the Civil Rehabilitation Act (Act No. 225 of 1999) (including the cases where it is applied mutatis mutandis pursuant to Article 454 of the Act on Special Measures of Corporate Reorganization Proceedings and Other Insolvency Proceedings of Financial Institutions), if said Financial Institution has failed to obtain said permission.
- (4) Upon receiving notice under paragraph (1) or the preceding paragraph, the Corporation shall immediately report to that effect to the Minister of Finance; provided, however, that this does not apply in cases where the Financial Institution that gave said notice is The Shoko Chukin Bank, Ltd.

(Special Provisions for Continuation of Business)

- Article 67 (1) In the event that an Assuming Financial Institution that has received the Authorization of Eligibility, etc. has, through the transfer of business pertaining to said Authorization of Eligibility, etc. or the Transfer of Insured Deposits, succeeded to the rights and obligations pertaining to a contract belonging to any business that said Financial Institution is prohibited or restricted from carrying out by laws and regulations concerning the business or operations of said Financial Institution, said Financial Institution may continue the business concerning such contract until the period of contract expires, if the contract prescribes a period, and for a period limited to two years from the date of succession, if the contract does not prescribe a period.
- (2) An Assuming Financial Institution that has received the Authorization of Eligibility, etc. may, in the event that there are special circumstances in light of the convenience of the users of the business concerning the contract prescribed in the preceding paragraph, etc., prepare a plan as to how said business is to be concluded within a specified period of time, and if said plan is approved by the Prime Minister (in the case of a labor bank or The Rokinren Bank, by the Prime Minister and the Minister of Health, Labour and Welfare, and in the case of The Shoko Chukin Bank, Ltd., by the Prime Minister, the Minister of Finance, and the Minister of Economy, Trade and Industry), continue said business in accordance with said plan and within a scope not exceeding the total amount of said contract as of the date of the assumption of business or Transfer of Insured Deposits, by renewing the contract following the expiration of the period prescribed in the preceding paragraph or beyond the period prescribed in the preceding paragraph.

(Consultation with Minister of Finance)

Article 68 The Prime Minister shall, if he/she finds that if the Corporation is to provide Financial Assistance for a merger, etc. pertaining to the Authorization of Eligibility, etc., the financial conditions of the Corporation would deteriorate extremely and have a serious impact on the maintenance of an orderly credit system, consult in advance with the Minister of Finance concerning measures necessary for the maintenance of an orderly credit system.

(Approval of Share Exchange, etc. Pertaining to Financial Assistance)

Article 68-2 (1) An Assuming Financial Institution for which the Corporation conducted the Subscription for Preferred Shares, etc. based on a decision under Article 64, paragraph (1) or an Assuming Bank Holding Company, etc. (including companies prescribed in the following paragraph in the event that an approval is obtained under this paragraph and the succeeding Financial Institution, etc. prescribed in paragraph (4) of the following Article in the

event that an approval is obtained under paragraph (1) of the following Article; the same applies in the following Article), which has issued shares that are acquired Preferred Shares, etc. actually held by the Corporation (hereinafter referred to as "Issuing Assuming Financial Institution, etc." in this Article), shall obtain approval from the Corporation before effecting a share exchange (limited to those through which the Issuing Assuming Financial Institution, etc. becomes a wholly owned subsidiary company in the share exchange (meaning a wholly owned subsidiary company in the share exchange prescribed in Article 768, paragraph (1), item (i) of the Companies Act; the same applies in Article 108-2, paragraph (1))) or share transfer (hereinafter referred to as "Share Exchange, etc." in this Article).

- (2) The Corporation may not grant the approval under the preceding paragraph unless a company that becomes, through the Share Exchange, etc., a wholly owning parent stock company in a share exchange or wholly owning parent company incorporated through a share transfer of the Issuing Assuming Financial Institution, etc. is a Financial Institution or Bank Holding Company, etc. (including those that will be newly established and, in the case of a Bank Holding Company, etc., limited to those specified in Article 2, paragraph (5), item (i) or (iii)) and conforms to other standards prescribed and publicly announced by the Prime Minister and the Minister of Finance.
- (3) The Corporation shall obtain the prior approval of the Prime Minister and the Minister of Finance before granting the approval under paragraph (1).
- (4) When an Issuing Assuming Financial Institution, etc. has effected the Share Exchange, etc. following the approval under paragraph (1), a company that has become, through said Share Exchange, etc., a wholly owning parent stock company in the share exchange or wholly owning parent company incorporated through a share transfer of said Issuing Assuming Financial Institution, etc. shall submit to the Corporation a plan setting forth measures specified by a Cabinet Order as measures to ensure the soundness of financial conditions, etc.
- (5) The provisions of Article 64-2, paragraph (5) apply mutatis mutandis to the plan submitted to the Corporation under the preceding paragraph. In this case, the terms "an Assuming Financial Institution (including the Financial Institutions established by the merger pertaining to Subscription for Preferred Shares, etc.; hereinafter the same applies in this Article to Article 68-3) or Assuming Bank Holding Company, etc." and "issuer ... or obligor pertaining to acquired loan claims" in Article 64-2, paragraph (5) are to be deemed to be replaced with "a company that has submitted a plan under Article 68-2, paragraph (4)," and "issuer pertaining to", respectively.

(Approval for Corporate Reorganization Pertaining to Financial Assistance)  
Article 68-3 (1) An Assuming Financial Institution or Assuming Bank Holding

Company, etc., for which the Corporation conducted the Subscription for Preferred Shares, etc. based on a decision under Article 64, paragraph (1), and which is an issuer or obligor pertaining to acquired Preferred Shares, etc. (meaning the acquired Preferred Shares, etc. prescribed in Article 64-2, paragraph (6); hereinafter the same applies in this paragraph and paragraph (4) of the following Article) or acquired loan claims actually held by the Corporation (hereinafter referred to as "Financial Institution Eligible for Financial Assistance, etc." in this Article), shall obtain approval from the Corporation before implementing a corporate reorganization (meaning a merger, company split or transfer of the whole or part of business, in which an issuer of acquired Preferred Shares, etc. or obligor pertaining to acquired loan claims after the merger, company split or business transfer will be a corporation (including those that will be newly established) other than the Financial Institution Eligible for Financial Assistance, etc.; hereinafter the same applies in this Article).

- (2) The Corporation may not grant the approval under the preceding paragraph unless the corporation other than the Financial Institution Eligible for Financial Assistance, etc. prescribed in the preceding paragraph is a Financial Institution or Bank Holding Company, etc. (limited to those specified in Article 2, paragraph (5), items (i) and (iii)) and conforms to other standards prescribed and publicly announced by the Prime Minister, the Minister of Finance, the Minister of Health, Labour and Welfare, and the Minister of Economy, Trade and Industry.
- (3) The Corporation shall obtain approval from the Prime Minister and the Minister of Finance (in the event that the Financial Institution Eligible for Financial Assistance, etc. is a labor bank or The Rokinren Bank, from the Prime Minister, the Minister of Finance, and the Minister of Health, Labour and Welfare, and in the event that the Financial Institution Eligible for Financial Assistance, etc. is The Shoko Chukin Bank, Ltd., from the Prime Minister, the Minister of Finance, and the Minister of Economy, Trade and Industry) before granting the approval under paragraph (1).
- (4) In the event that a Financial Institution Eligible for Financial Assistance, etc. has implemented a corporate reorganization after receiving the approval under paragraph (1), if there is a succeeding Financial Institution, etc. pertaining to said corporate reorganization (meaning a corporation other than the Financial Institution Eligible for Financial Assistance, etc. prescribed in paragraph (1)), said succeeding Financial Institution, etc. shall submit to the Corporation a plan setting forth measures specified by a Cabinet Order as measures to ensure the soundness of financial conditions, etc.
- (5) The provisions of Article 64-2, paragraph (5) apply mutatis mutandis to a plan submitted to the Corporation under the preceding paragraph. In this case,

the term "Assuming Financial Institution (including the Financial Institutions established by the merger pertaining to Subscription for Preferred Shares, etc.; hereinafter the same applies in this Article to Article 68-3) or Assuming Bank Holding Company, etc." in Article 64-2, paragraph (5) is to be deemed to be replaced with "succeeding Financial Institution, etc. prescribed in Article 68-3, paragraph (4)."

(Additional Financial Assistance)

Article 69 (1) In the event that, subsequent to a merger, etc. pertaining to Financial Assistance, an Assuming Financial Institution or Assuming Bank Holding Company, etc. pertaining to said Financial Assistance or a Financial Institution established by the merger pertaining to said Financial Assistance applies for additional Financial Assistance (referred to as "Additional Financial Assistance" in paragraph (4)), the Corporation may, if it finds it necessary, provide the Additional Financial Assistance to the Financial Institution that has made said application.

(2) The purchase of assets pertaining to the application under the preceding paragraph is to be conducted with respect to the assets of the Failed Financial Institution pertaining to a merger, etc. (limited to the Business Transfer, etc. specified in Article 59, paragraph (2), item (iii) in which a Failed Financial Institution transfers part of its business to another Financial Institution or the Transfer of Insured Deposits) or assets prescribed in each of the following items according to the category of merger, etc. specified in each respective item, and if the Financial Assistance pertaining to the application under the preceding paragraph includes the purchase of assets of the Failed Financial Institution pertaining to a merger, etc. (limited to the Business Transfer, etc. specified in Article 59, paragraph (2), item (iii) in which a Failed Financial Institution transfers part of its business to another Financial Institution or the Transfer of Insured Deposits; hereinafter the same applies in this paragraph and paragraph (4)), an Assuming Financial Institution pertaining to said merger, etc. is to apply to the Corporation for the purchase of said assets in joint names with said Failed Financial Institution:

- (i) A merger specified in Article 59, paragraph (2), item (i): the assets of the Financial Institution surviving through the merger (limited to those that were the assets of the Failed Financial Institution prior to the merger);
- (ii) A merger specified in Article 59, paragraph (2), item (ii): the assets of the Financial Institution established by the merger (limited to those that were the assets of the Failed Financial Institution prior to the merger);
- (iii) A Business Transfer, etc. specified in Article 59, paragraph (2), item (iii): the assets of another Financial Institution prescribed in Article 59, paragraph (2), item (iii) that have been received through the Business

Transfer, etc.;

- (iv) An acquisition of shares specified in Article 59, paragraph (2), item (iv):  
the assets of the Financial Institution subject to the acquisition of shares.
- (3) The Securing of Damage pertaining to the application under paragraph (1) is to be conducted with respect to loan claims that are the assets prescribed in each item of the preceding paragraph according to the category of merger, etc. specified in each respective item.
- (4) The provisions of Article 59, paragraph (6) and (7), Article 64, and Article 64-2 apply mutatis mutandis to the application under paragraph (1) or (2), the provisions of Article 59-2 apply mutatis mutandis to the Assuming Financial Institution that has conducted the merger, etc. pertaining to the Financial Assistance, the provisions of Article 67 and Article 68 apply mutatis mutandis to the Additional Financial Assistance, and the provisions of the preceding two Articles apply mutatis mutandis to the Assuming Financial Institution, Assuming Bank Holding Company, etc. or the Financial Institutions established by the merger pertaining to the Financial Assistance (excluding the Financial Institutions to which the Corporation has provided the Financial Assistance pertaining to the Subscription for Preferred Shares, etc. and in which the Corporation actually holds acquired Preferred Shares, etc. pertaining to said Financial Assistance, but including companies prescribed in Article 68-2, paragraph (2) as applied mutatis mutandis pursuant to this paragraph in the event that approval is obtained under Article 68-2, paragraph (1) as applied mutatis mutandis pursuant to this paragraph and the succeeding Financial Institution, etc. prescribed in Article 68-2, paragraph (4) as applied mutatis mutandis pursuant to this paragraph in the event that an approval is obtained under paragraph (1) of the preceding Article as applied mutatis mutandis pursuant to this paragraph) to which the Corporation has provided the Additional Financial Assistance (limited to those pertaining to the Subscription for Preferred Shares, etc.). In this case, the term "expected costs for the payment of insurance proceeds with respect to an insurable contingency of the Failed Financial Institution pertaining to said Financial Assistance" in Article 64, paragraph (2) is to be deemed to be replaced with "expected costs of the Financial Assistance pertaining to the decision of the Operation Committee made prior to said decision with respect to the Failed Financial Institution pertaining to said Financial Assistance and expected costs for the payment of insurance proceeds with respect to an insurable contingency of said Failed Financial Institution," and the term "the Corporation is to provide Financial Assistance for a merger, etc. pertaining to the Authorization of Eligibility, etc.," in Article 68 is to be deemed to be replaced with " the Additional Financial Assistance is to be provided", and any other necessary technical replacement of terms will be specified by a Cabinet Order.

## Chapter III-2 Protection of Creditors Concerning Settlement of Funds

(Protection of Settlement Obligations)

Article 69-2 (1) With regard to obligations borne by a Financial Institution with regard to exchange transactions and other transactions specified by a Cabinet Order as transactions pertaining to the settlement of funds undertaken by a Financial Institution (excluding those for which payment is made in a foreign country, and limited to those resulting from entrustment by a Financial Institution and by other persons who engage in financial business other than persons specified by a Cabinet Order and to those specified by a Cabinet Order; hereinafter referred to as "Settlement Obligations" in this Chapter), other than those that will be extinguished if there is repayment of the Covered Deposits for Settlement (hereinafter referred to as "Specified Settlement Obligations" in this paragraph and paragraph (1) of the following Article), the Specified Settlement Obligations are to be deemed to be obligations pertaining to the Covered Deposits for Settlement, claims pertaining to the Specified Settlement Obligations are to be deemed to be claims pertaining to the Covered Deposits for Settlement, creditors pertaining to the Specified Settlement Obligations are to be deemed to be the Depositors, etc., the amount of the Specified Settlement Obligations is to be deemed to be the amount of the Covered Deposits for Settlement, and the repayment of the Specified Settlement Obligations is to be deemed to be the repayment of the Covered Deposits for Settlement, for the purpose of applying the provisions of this Act (excluding Article 58-2, this Chapter, Article 73, and Article 127 and penal provisions pertaining thereto). In this case, the term "insurance premiums pertaining to deposits that satisfy all of the following requirements (excluding foreign currency deposits and other deposits specified by a Cabinet Order; hereinafter referred to as "Deposits for payment and settlement purposes)" in Article 51-2, paragraph (1) is to be deemed to be replaced with "insurance premiums pertaining to the Specified Settlement Obligations," the term "insurance proceeds pertaining to the Deposits for payment and settlement purposes (excluding those held under the name of another person and other Deposits for payment and settlement purposes specified by a Cabinet Order; hereinafter referred to as "Covered Deposits for Settlement)" in Article 54-2, paragraph (1) is to be deemed to be replaced with "insurance proceeds pertaining to the Specified Settlement Obligations," and the term "the amount of the principal of" is to be deemed to be replaced with "the amount of," the term "the Covered Deposits for Settlement held thereby" in Article 54-2, paragraph (2) is to be deemed to be replaced with "the claims pertaining to the Specified Settlement Obligations held thereby," the term "Deposits, etc." in Article 55-2, paragraph (4) is to be

deemed to be replaced with "Specified Settlement Obligations," and the term "Covered Deposits for Settlement" in Article 58-3, paragraph (1) is to be deemed to be replaced with "Specified Settlement Obligations."

- (2) Where the Settlement Obligations will be extinguished if there is repayment of the General Deposits, etc., the General Deposits, etc. whose amount is equivalent to the amount of said Settlement Obligations are deemed to be the Deposits for payment and settlement purposes.

(Loan of Funds for Repayment of Settlement Obligations)

Article 69-3 (1) In the event that the Corporation receives from any of the following persons an application for a loan of funds necessary for the repayment of the Settlement Obligations (limited to those carried out with respect to the Covered Deposits for Settlement or Specified Settlement Obligations corresponding to the amount of insurance proceeds calculated under Article 54-2, paragraph (1) and Article 54, paragraph (3) as applied mutatis mutandis pursuant to Article 54-2, paragraph (2)), the Corporation may, if it finds it necessary, and following a resolution of the Operation Committee, decide to provide the loan pertaining to said application up to the total amount of insurance proceeds pertaining to said Settlement Obligations calculated under Article 54-2, paragraph (1) and Article 54, paragraph (3) as applied mutatis mutandis pursuant to Article 54-2, paragraph (2):

- (i) A Financial Institution that has become subject to a disposition ordering management under Article 74, paragraph (1) or (2);
- (ii) A person who has become subject to a ruling for the commencement of bankruptcy proceedings (limited to a person who was a Financial Institution prior to becoming subject to said ruling for the commencement of bankruptcy proceedings);
- (iii) A Failed Financial Institution that has become subject to a disposition by a provisional administrator ordering management under Article 91, paragraph (1) of the Bankruptcy Act;
- (iv) A Failed Financial Institution that has become subject to a ruling for the commencement of reorganization proceedings;
- (v) A Failed Financial Institution that has become subject to a disposition by a provisional administrator ordering management under Article 30, paragraph (1) of the Corporate Reorganization Act (Act No. 154 of 2002) or Article 22, paragraph (1) of the Act on Special Measures of Corporate Reorganization Proceedings and Other Insolvency Proceedings of Financial Institutions;
- (vi) A Failed Financial Institution that has become subject to a disposition by a trustee ordering management under Article 64, paragraph (1) of the Civil Rehabilitation Act;
- (vii) A Failed Financial Institution that has become subject to a disposition by



- a provisional administrator ordering management under Article 79, paragraph (1) of the Civil Rehabilitation Act; and
- (viii) A person who has become subject to an order for commencement of special liquidation (limited to a person who was a Financial Institution prior to its dissolution pertaining to said order);
- (2) The provisions of Article 64, paragraph (3) apply mutatis mutandis to the cases where a decision is made under the preceding paragraph, and the provisions of Article 64, paragraph (4) apply mutatis mutandis to the cases where a decision to provide a loan is made under the preceding paragraph. In this case, the term "pertains to a merger, etc. to which ... is a party" in Article 64, paragraph (3) is deemed to be replaced with "pertains to ..."
- (3) The loan provided under paragraph (1) to a person specified in each of the following items is to, in relation to creditors other than the Corporation in bankruptcy proceedings, reorganization proceedings, rehabilitation proceedings or special liquidation proceedings pertaining to said Financial Institution, be deemed to be provided prior to the decision prescribed in each respective item:
- (i) A person specified in paragraph (1), item (ii): said ruling for the commencement of bankruptcy proceedings;
  - (ii) A Failed Financial Institution specified in paragraph (1), item (iv): said ruling for the commencement of reorganization proceedings;
  - (iii) A Failed Financial Institution that has become subject to a ruling for the commencement of rehabilitation proceedings: said ruling for the commencement of rehabilitation proceedings; and
  - (iv) A person specified in paragraph (1), item (viii): said order for commencement of special liquidation.
- (4) The expected costs of the loan of funds provided pursuant to a decision under paragraph (1) are deemed to be the expected costs of the Financial Assistance prescribed in Article 64, paragraph (2) for the purpose of applying Article 64, paragraph (2).
- (5) The person specified in paragraph (1), item (ii) or (viii) is deemed to be a Financial Institution for the purpose of the application of this Act pertaining to the loan prescribed in paragraph (1).

(Special Provisions of the Bankruptcy Act, etc. Pertaining to Settlement Obligations)

Article 69-4 (1) In the event that a Financial Institution that owes the Settlement Obligations and settlement creditors (meaning other Financial Institutions that hold claims pertaining to said Settlement Obligations and also owe other Settlement Obligations to said Financial Institution (including other persons who have acquired from said other Financial Institutions the claims pertaining to said Settlement Obligations or assumed said other

Settlement Obligations); hereinafter the same applies in this paragraph) have, prior to the occurrence of an insurable contingency pertaining to said Financial Institution, concluded a contract, under which the whole or part of the Settlement Obligations owed to each other is to be extinguished by way of continuous set-off thereof, if the Settlement Obligations subject to said contract arose after said Financial Institution's insolvency, etc. (meaning insolvency (meaning the condition in which said Financial Institution, due to the lack of ability to pay, is generally and continuously unable to pay its debts as they become due), suspension of payments, or a petition for the commencement of bankruptcy proceedings, commencement of reorganization proceedings, commencement of rehabilitation proceedings or commencement of special liquidation; hereinafter the same applies in this paragraph) and there has been a decision pertaining to said Financial Institution for the provision of a loan under paragraph (1) of the preceding Article (including the cases where it is applied mutatis mutandis pursuant to Article 127), said settlement creditors may, notwithstanding the provisions of Article 517 and Article 518 of the Companies Act, Article 71 and Article 72 of the Bankruptcy Act, Article 49 and Article 49-2 of the Corporate Reorganization Act (including the cases where these provisions are applied mutatis mutandis pursuant to Article 35 of the Act on Special Measures of Corporate Reorganization Proceedings and Other Insolvency Proceedings of Financial Institutions) and Article 93 and Article 93-2 of the Civil Rehabilitation Act, set off the Settlement Obligations specified in the following items that are owed by said Financial Institution pertaining to claims held by such creditors against the Settlement Obligations owed by such creditors prescribed in such item:

- (i) The Settlement Obligations that arose prior to said insolvency, etc.: the Settlement Obligations owed to said Financial Institution (excluding those based on a cause that arose prior to said insolvency, etc.) that arose between the time of said insolvency, etc. and a ruling for the commencement of bankruptcy proceedings, commencement of reorganization proceedings, or commencement of rehabilitation proceedings, or an order for commencement of special liquidation (hereinafter referred to as "Ruling for Commencement of Bankruptcy Proceedings, etc." in this item) pertaining to said insolvency, etc., or the Settlement Obligations owed to said Financial Institution that arose after said Ruling for Commencement of Bankruptcy Proceedings, etc.;
  - (ii) The Settlement Obligations that arose after said insolvency, etc.: the Settlement Obligations owed to said Financial Institution.
- (2) The provisions of Article 653 of the Civil Code do not apply to a consignment contract concluded by said Financial Institution pertaining to the Settlement Obligations.
  - (3) When a decision has been made to loan funds under paragraph (1) of the

preceding Article to a Failed Financial Institution that has become subject to an order for commencement of special liquidation, the court may, notwithstanding the provisions of Article 500, paragraph (1) and Article 537, paragraph (1) of the Companies Act, in response to a petition filed by said Failed Financial Institution, grant permission for the repayment of the Settlement Obligations prescribed in paragraph (1) of the preceding Article.

- (4) The court shall, upon granting the permission under the preceding paragraph, specify the types of the Settlement Obligations to be repaid, limit of the amount of repayment, and period of repayment (in the case of the preceding paragraph, the last day of said period shall precede the date of notice under Article 549, paragraph (1) of the Companies Act).
- (5) When specifying the types of the Settlement Obligations to be repaid, limit of the amount of repayment, and period of repayment under the preceding paragraph, the court shall hear the opinion of the Corporation in advance.

#### **Chapter IV Purchase of Deposits and Other Claims**

(Purchase of Deposits and Other Claims)

Article 70 (1) In the cases prescribed in Article 57, paragraph (1) (including the cases where the Corporation finds it necessary for the protection of the Depositors, etc. of a Financial Institution subject to the Category One Insurable Contingency), the Corporation may, following a resolution by the Operation Committee, decide to purchase deposits and other claims pertaining to an insurable contingency prescribed in each item of Article 57, paragraph (1) (meaning claims pertaining to the Deposits, etc. held by the Depositors, etc. in the Financial Institution subject to the insurable contingency (excluding the Deposits, etc. specified by a Cabinet Order) that are not subject to a security interest; the same applies hereinafter).

- (2) The purchase under the preceding paragraph is to be made within the purchase period publicly announced under Article 72, paragraph (1) or (3), upon request by the Depositors, etc. who hold deposits and other claims pertaining to the insurable contingency prescribed in the preceding paragraph based on an approximate estimate of said deposits and other claims; provided, however, that in the event that the Corporation has collected the deposits and other claims pertaining to the purchase, if an amount obtained by deducting from the amount so collected the amount of costs specified by a Cabinet Order as being required for said purchase exceeds the amount equivalent to estimated proceeds payment pertaining to said purchase, the Corporation is to pay such excess to said Depositors, etc.
- (3) The amount of estimated proceeds payment prescribed in the preceding paragraph is to be calculated by deducting from the amount of deposits and

other claims to be purchased by the Corporation from the Depositors, etc. the amount of interest, distribution of profits and any other amount equivalent thereto specified by a Cabinet Order corresponding to the period between the date of the insurable contingency and the date of said purchase, and multiplying the amount thus calculated by a rate determined by the Corporation under paragraph (1) of the following Article (hereinafter referred to as "Estimated Proceeds Payment Rate").

- (4) The provisions of Article 53, paragraph (3) apply mutatis mutandis to the payment of an amount equivalent to estimated proceeds payment pertaining to the purchase under paragraph (2) (hereinafter referred to as "Estimated Proceeds Payment").
- (5) When the Corporation finds that the Depositors, etc. did not make a request within the purchase period prescribed in paragraph (2) due to natural disaster or any other unavoidable reason, the Corporation may, notwithstanding the provisions of paragraph (2), purchase deposits and other claims of said Depositors, etc. even after the lapse of said purchase period.

(Estimated Proceeds Payment Rate)

Article 71 (1) In making a decision under paragraph (1) of the preceding Article, the Corporation shall, following a resolution of the Operation Committee, specify the Estimated Proceeds Payment Rate for the purchase pertaining to said decision and obtain the authorization of the Prime Minister and the Minister of Finance for said decision.

- (2) When making a decision on the Estimated Proceeds Payment Rate under the preceding paragraph, the Operation Committee shall take into consideration, in light of the financial conditions of the Financial Institution pertaining to the decision under paragraph (1) of the preceding Article, the expected amount of payment to be received for deposits and other claims pertaining to said Financial Institution in the event that it becomes subject to bankruptcy proceedings, and give due consideration to the efficient use of the Corporation's assets.
- (3) When granting the authorization set forth in paragraph (1), the Prime Minister and the Minister of Finance shall obtain consent from the Minister of Health, Labour and Welfare if said Financial Institution is a labor bank or The Rokinren Bank, and shall obtain consent from the Minister of Economy, Trade and Industry if said Financial Institution is The Shoko Chukin Bank, Ltd.

(Public Notice of Purchase, etc.)

Article 72 (1) Upon receiving the authorization set forth in paragraph (1) of the preceding Article, the Corporation shall, following a resolution by the Operation Committee, promptly specify the period, location, and method of the

Estimated Proceeds Payment pertaining to the purchase of deposits and other claims and other matters specified by a Cabinet Order and give public notice thereof together with the Estimated Proceeds Payment Rate pertaining to said authorization.

- (2) If, after giving public notice under the preceding paragraph, there is public notice under Article 197, paragraph (1) of the Bankruptcy Act (including the cases where it is applied mutatis mutandis pursuant to Article 209, paragraph (3) of said Act), notice under Article 137-2, paragraph (2), or any other event specified by a Cabinet Order with respect to said Financial Institution, the Corporation may, pursuant to the provisions of a Cabinet Order, change the purchase period that was publicly announced under the provisions of the preceding paragraph.
- (3) If the Corporation has changed the payment period under the preceding paragraph, the Corporation shall give public notice of matters pertaining to said change without delay.
- (4) When making payment under the proviso to Article 70, paragraph (2), the Corporation shall, following a resolution of the Operation Committee, specify the amount and period of payment and other matters specified by a Cabinet Order and give public notice thereof in advance.
- (5) The provisions of Article 56, paragraph (4) apply mutatis mutandis to cases where the Corporation has specified the matters prescribed in paragraph (1), changed the purchase period under paragraph (2), and specified the matters prescribed in the preceding paragraph.

(Concerning Taxation)

Article 73 (1) In the event that Depositors, etc. have received the Estimated Proceeds Payment for the deposits and other claims which they hold (excluding those pertaining to the Long-Term Credit Bank Bonds, etc. issued by means of a discount, among those listed in Article 2, paragraph (2), item (v); hereinafter the same applies in this Article), if the amount of said Estimated Proceeds Payment (hereinafter referred to as "Amount of Estimated Proceeds Payment" in this Article) is equal to or less than the amount specified by a Cabinet Order as the amount of principal of said deposits and other claims on the date of said Estimated Proceeds Payment (hereinafter referred to as "Amount of Principal on the Reference Date" in this Article), the Amount of Estimated Proceeds Payment is deemed to be the amount of principal to be repaid with respect to said deposits and other claims, and in the event that the Amount of Estimated Proceeds Payment exceeds the Amount of Principal on the Reference Date, the portion of said Amount of Estimated Proceeds Payment equivalent to said Amount of Principal on the Reference Date is deemed to be the amount of principal to be repaid with respect to said deposits and other claims, and the

portion of said Amount of Estimated Proceeds Payment that exceeds said Amount of Principal on the Reference Date is deemed to be the amount prescribed in each of the following items according to the category of the Deposits, etc. pertaining to said deposits and other claims prescribed in each respective item, in applying the provisions of the Income Tax Act and other laws and regulations concerning income tax:

(i) Deposits: interests on said deposits;

(ii) Installment savings: compensation money for benefits (meaning the compensation money for benefits specified in Article 174, item (iii) of the Income Tax Act) based on contracts for said installment savings;

(iii) Installment deposits specified in Article 2, paragraph (2), item (iii): compensation money for benefits (meaning the compensation money for benefits specified in Article 174, item (iv) of the Income Tax Act) based on contracts for said installment deposits;

(iv) Money specified in Article 2, paragraph (2), item (iv): distribution of profits under money trusts prescribed in Article 2, paragraph (2), item (iv) pertaining to said money;

(v) Money specified in Article 2, paragraph (2), item (v): interests on the Long-Term Credit Bank Bonds, etc. (excluding those issued by means of a discount).

(2) In the event that the Depositors, etc. have received payment under the proviso to Article 70, paragraph (2), the amount of money received for deposits and other claims pertaining to said payment (hereinafter referred to as "Amount of Settlement Payment" in this paragraph) is deemed to be the amount prescribed in each of the following items according to the category prescribed in such item, in applying the provisions of the Income Tax Act and other laws and regulations concerning income tax:

(i) In the event that the total amount of the Amount of Settlement Payment and the Amount of Estimated Proceeds Payment pertaining to said deposits and other claims (referred to as "Total Amount of Settlement and Estimated Proceeds Payments" in the following items) is equal to or less than the Amount of Principal on the Reference Date pertaining to said deposits and other claims: the amount of principal to be repaid with respect to said deposits and other claims;

(ii) In the event that the Total Amount of Settlement and Estimated Proceeds Payments exceeds the Amount of Principal on the Reference Date pertaining to said deposits and other claims, and the Amount of Estimated Proceeds Payment pertaining to said deposits and other claims is equal to or less than said Amount of Principal on the Reference Date: the amount prescribed in each of the following according to the category of Amount of Settlement Payment specified therein;

- (a) Within said Amount of Settlement Payment, an amount corresponding to the balance after deducting from said Amount of Principal on the Reference Date said Amount of Estimated Proceeds Payment: an amount of principal to be repaid with respect to said deposits and other claims;
  - (b) Within said Amount of Settlement Payment, an amount corresponding to the balance after deducting from the Total Amount of Settlement and Estimated Proceeds Payments said Amount of Principal on the Reference Date: an amount of the Deposits, etc. pertaining to said deposits and other claims prescribed in each item of the preceding paragraph according to the category specified in each respective item;
  - (iii) In the event that the Amount of Estimated Proceeds Payment pertaining to said deposits and other claims exceeds the Amount of Principal on the Reference Date pertaining to said deposits and other claims: an amount of the Deposits, etc. pertaining to said deposits and other claims prescribed in each item of the preceding paragraph according to the category specified in each respective item.
- (3) In the event that the provisions of the preceding two paragraphs applies, necessary matters for the application of the special provisions of Article 4-2 and Article 4-3 of the Act on Special Measures Concerning Taxation and other provisions of the preceding two paragraphs will be specified by a Cabinet Order.

## **Chapter V Management by Financial Administrator**

(Disposition Ordering Management of Business and Property)

Article 74 (1) In cases where the Prime Minister (in the event that a Financial Institution pertaining to the disposition prescribed in this paragraph is a labor bank or The Rokinren Bank, the Prime Minister and the Minister of Health, Labour and Welfare, and in the event that such Financial Institution is The Shoko Chukin Bank, Ltd., the Prime Minister, the Minister of Finance, and the Minister of Economy, Trade and Industry; the same applies in the following paragraph, paragraph (4) (including the cases where it is applied mutatis mutandis pursuant to paragraph (2) of the following Article), paragraph (5), paragraph (1) of the following Article, Article 77, paragraphs (2) to (4), Article 79, paragraph (1) (including the cases where it is applied mutatis mutandis pursuant to Article 79, paragraph (3)), Article 80, Article 84, paragraph (1), and Article 90) finds that a Financial Institution is unable to satisfy its obligations in full with its assets, or that, in light of the status of its business or assets, a Financial Institution is likely to suspend repayment of Deposits, etc. or a Financial Institution has suspended repayment of Deposits, etc., and that any of the following requirements is satisfied, the Prime Minister may order that the business and property of said Financial Institution be placed

under the management of a financial administrator (hereinafter referred to as "Disposition Ordering Management"):

- (i) The operation of said Financial Institution's business is extremely inappropriate; or
  - (ii) If a merger, etc. is not carried out for the Financial Institution pertaining thereto and such Failed Financial Institution abolishes all its businesses or is dissolved, it is likely to cause considerable detriment to the smooth supply and demand of funds and convenience of consumers in the region or fields in which said Failed Financial Institution conducts its business.
- (2) Upon receiving notification from a Financial Institution that a situation is likely to arise in which the Financial Institution is unable to satisfy its obligations in full with its assets, the Prime Minister may, if he/she finds that said situation is likely to arise and any of the requirements specified in the preceding paragraph is satisfied, issue the Disposition Ordering Management with respect to said Financial Institution.
- (3) A Financial Institution (excluding Failed Financial Institutions) that has become subject to the Disposition Ordering Management under the provisions of the preceding two paragraphs is deemed to be a Failed Financial Institution for the purpose of the application of this Act.
- (4) Upon issuing the Disposition Ordering Management, the Prime Minister shall give public notice thereof in the official gazette.
- (5) A Financial Institution shall, if it is unable to satisfy its obligations in full with its assets or is likely to suspend repayment of Deposits, etc. in light of the status of its business or property, give written notification of such fact and reasons thereof to the Prime Minister.

(Rescission of Disposition Ordering Management)

Article 75 (1) The Prime Minister shall rescind the Disposition Ordering Management, if he/she finds that there is no longer any need for said Disposition Ordering Management.

- (2) The provisions of paragraph (4) of the preceding Article apply mutatis mutandis to the case referred to in the preceding paragraph.

(Prohibition of Name Change of Shareholders)

Article 76 (1) In the event that a Financial Institution under Management is a Bank, etc. or The Shoko Chukin Bank, Ltd., the Prime Minister may, if he/she finds it necessary, prohibit any entry of name change of shareholders.

- (2) For the purpose of applying the provisions of the preceding paragraph, in the event that a Financial Institution under Management is The Shoko Chukin Bank, Ltd. as prescribed in said paragraph, the term "the Prime Minister" is deemed to be "the Prime Minister, the Minister of Finance, and the Minister of



Economy, Trade and Industry."

(Appointment of Financial Administrator, etc.)

Article 77 (1) When a Disposition Ordering Management has been issued, the right to represent a Financial Institution under Management, execute its business, and manage and dispose of its assets is vested exclusively in a financial administrator. The same applies to the rights of a director and executive officer (in the event that the Financial Institution under Management is a Shinkin Bank, etc., a deputy governor) prescribed in Article 828, paragraphs (1) and (2) of the Companies Act (including the cases where these provisions are applied mutatis mutandis pursuant to Article 28 of the Shinkin Bank Act, Article 52-2 (including the cases where it is applied mutatis mutandis pursuant to Article 58, paragraph (7) of said Act) and Article 61-7 of said Act, Article 32 of the Small and Medium-Sized Enterprises Cooperatives Act, Article 57 (including the cases where it is applied mutatis mutandis pursuant to Article 57-3, paragraph (6) of said Act) and Article 67 of said Act, Article 28 of the Labor Bank Act, Article 57-2 (including the cases where it is applied mutatis mutandis pursuant to Article 62, paragraph (7) of said Act) and Article 65 of said Act), and Article 831 of the Companies Act (including the cases where it is applied mutatis mutandis pursuant to Article 24, paragraph (10) and Article 48-8 of the Shinkin Bank Act, Article 27, paragraph (8), Article 54, Article 82, paragraph (4) and Article 82-10, paragraph (4) of the Small and Medium-Sized Enterprises Cooperatives Act, and Article 24, paragraph (11) and Article 54 of the Labor Bank Act).

- (2) The Prime Minister shall, at the time of issuing a Disposition Ordering Management, appoint one or more financial administrator.
- (3) The Prime Minister may, if he/she finds it necessary, appoint another financial administrator after the appointment of a financial administrator under the preceding paragraph, or, if he/she finds that the financial administrator has failed to properly manage the business and assets of the Financial Institution under Management, dismiss the financial administrator.
- (4) The Prime Minister shall, if he/she has appointed or dismissed a financial administrator under paragraph (2) or the preceding paragraph, notify the Financial Institution under Management to that effect and give public notice thereof in the official gazette.
- (5) The provisions of Article 69, Article 70, Article 80, and Article 81, paragraphs (1) and (5) of the Corporate Reorganization Act apply mutatis mutandis to a financial administrator and the provisions of Article 78 of the Act on General Incorporated Associations and General Incorporated Foundations apply mutatis mutandis to a Financial Institution under Management. In this case, the term "the permission of the court" in Article 69, paragraph (1) of the

Corporate Reorganization Act is deemed to be replaced with "approval from the Prime Minister" (in the event that the Financial Institution under the management of the financial administrator is a labor bank or The Rokinren Bank, of the Prime Minister and the Minister of Health, Labour and Welfare, and in the event that the Financial Institution is The Shoko Chukin Bank, Ltd., of the Prime Minister, the Minister of Finance, and the Minister of Economy, Trade and Industry; the same applies hereinafter), the term "trustee representative" in Article 70 of said Act is deemed to be replaced with "financial administrator representative," the term "the permission of the court" in Article 70, paragraph (2) of said Act is deemed to be replaced with "approval from the Prime Minister," the term "the court" in Article 81, paragraph (1) of said Act is deemed to be replaced with "the Prime Minister," the term "trustee representative" in Article 81, paragraph (5) of said Act is deemed to be replaced with "financial administrator representative," and the term "representative director and other representatives" in Article 78 of the Act on General Incorporated Associations and General Incorporated Foundations is deemed to be replaced with "financial administrator."

Article 78 (1) A corporation may be appointed as a financial administrator or financial administrator representative.

(2) The Corporation may be appointed as a financial administrator or financial administrator representative and carry out the operations thereof.

(Notice and Registration)

Article 79 (1) The Prime Minister shall, if he/she has issued a Disposition Ordering Management or rescinded a Disposition Ordering Management, immediately notify the district court having jurisdiction over the location of the head office or principal office of the Financial Institution under Management to that effect, attach a transcript of the written order to a written commission, and commission its registration in the registry office having jurisdiction over the location of the head office or principal office of the Financial Institution under Management.

(2) The registration under the preceding paragraph shall include the name and address of a financial administrator.

(3) The provisions of paragraph (1) apply mutatis mutandis to cases where any changes occur to the matters specified in the preceding paragraph.

(Submission of Reports or Materials)

Article 80 The Prime Minister may, if he/she finds it necessary, request a financial administrator to report or submit material with regard to the status of business and property, etc. of a Financial Institution under Management or

order a financial administrator to prepare and submit a plan for its management and take other necessary measures.

(Investigation of Financial Administrator, etc.)

- Article 81 (1) A financial administrator may request a director, accounting advisor, corporate auditor, and accounting auditor (in the event that the Financial Institution under Management is a company with committees, a director, executive officer, accounting advisor and accounting auditor, and in the event that the Financial Institution under Management is a Shinkin Bank, etc., a deputy governor, inspector and accounting auditor; the same applies in Article 87, paragraph (5)), manager (in the event that the Financial Institution under Management is a credit cooperative, the Federation of Credit Cooperatives, labor bank or The Rokinren Bank, a counselor), and any other employee of a Financial Institution under Management, a Financial Institution agent (in the event that the Financial Institution agent is a corporation, an officer and employee) having a Financial Institution under Management as its principal Financial Institution, and a person who previously held any of these positions (with regard to any person who previously held any of these positions, limited to those items pertaining to matters that could have been known by him/her during the period when he/she was engaged in the operations of the Financial Institution under Management) to report on the status of business and assets of the Financial Institution under Management, or inspect the books, documents, and any other items of the Financial Institution under Management and the Financial Institution agent having the Financial Institution under Management as its principal Financial Institution.
- (2) A financial administrator may, if it is necessary for carrying out his/her duties, inquire with, or request the cooperation of, government agencies, public entities, or any other person.

(Confidentiality Obligation of Financial Administrator, etc.)

- Article 82 (1) A financial administrator and financial administrator representative (hereinafter referred to as "Financial Administrator, etc." in this Article) must not divulge any secret which may have come to his/her knowledge in the course of his/her duties. The same applies after a financial administrator, etc. resigns from office.
- (2) If a financial administrator, etc. is a corporation, its officers and staff who are engaged in the duty of the financial administrator, etc. must not divulge any secret which may have come to his/her knowledge in the course of his/her duties. The same applies after said officers or staff members are no longer engaged in the duties of the financial administrator, etc.

(Measures to Clarify Liability of Management, etc. for Failure of a Financial Institution under Management.)

- Article 83 (1) A financial administrator shall, in order to have a director, accounting advisor, corporate auditor or accounting auditor of a Financial Institution under Management (a director, executive officer, accounting advisor or accounting auditor in the event that the Financial Institution under Management is a company with committees, and a deputy governor, inspector or accounting auditor in the event that the Financial Institution under Management is a Shinkin Bank, etc.) or a person who previously held any of these positions perform civil liability based on a breach of obligations in the course of duties, file an action or take other necessary measures.
- (2) A financial administrator shall, when by carrying out his/her duty he/she believes that an offense has been committed, take necessary measures toward filing an accusation.

(Transactions between Financial Administrator and Financial Institution under Management)

- Article 84 (1) A financial administrator shall obtain approval from the Prime Minister when carrying out, for himself/herself or for a third party, any transaction with a Financial Institution under Management. In this case, Article 108 of the Civil Code does not apply.
- (2) An act is null and void if the approval set forth in the preceding paragraph has not been obtained; provided, however, that it may not be duly asserted against a third party without knowledge of the requirement to obtain such approval.

Article 85 Deleted.

(Special Provisions on Extraordinary Resolutions, etc. of Shareholders Meeting, etc.)

- Article 86 (1) In a Financial Institution under Management, resolutions by a shareholders meeting or class meeting specified in Article 309, paragraph (2), item (iv), (v), (ix), (xi), or (xii) or Article 324, paragraph (2), item (i) or (iv) of the Companies Act, resolutions or decisions under Article 48-3 of the Shinkin Bank Act, Article 53 of the Small and Medium-Sized Enterprises Cooperatives Act, or Article 53 of the Labor Bank Act, and resolutions or decisions under Article 22, paragraph (2), Article 29, paragraph (4) or Article 35, paragraph (2) of the Act on Financial Institutions' Merger and Conversion may, notwithstanding these provisions, be made provisionally by two-thirds or more of the votes held by the shareholders, members, association members, substitute members, or representatives (referred to in paragraph (4) as

"Shareholders, etc.") present.

- (2) In a Financial Institution under Management, resolutions of a shareholders meeting or class meeting specified in each item of Article 309, paragraph (3) or Article 324, paragraph (3) of the Companies Act and resolutions under Article 22, paragraph (3) of the Act on Financial Institutions' Merger and Conversion may, notwithstanding these provisions, be made provisionally by a majority of the shareholders present and two-thirds or more of the votes held by the shareholders present.
- (3) In a Financial Institution under Management, resolutions of a shareholders meeting under Article 309, paragraph (4) of the Companies Act may, notwithstanding the provisions of the same paragraph, be made provisionally by a majority of the shareholders present and three-quarters or more of the votes held by the shareholders present.
- (4) In the event that a resolution or decision is provisionally made under paragraph (1) (hereinafter referred to as "Provisional Resolution, etc." in this paragraph and the following paragraph), the Financial Institution under Management shall notify its Shareholders, etc. of the purpose of said Provisional Resolution, etc. and shall call a subsequent shareholders meeting, etc. (meaning the shareholders meeting, etc. prescribed in Article 66, paragraph (2); the same applies in the following paragraph and paragraph (6) of the following Article) within one month of the date of adoption of said Provisional Resolution, etc.
- (5) In the event that a Provisional Resolution is approved by a majority as prescribed in paragraph (1) at a shareholders meeting, etc. under the preceding paragraph, a resolution or decision pertaining to the matters of said Provisional Resolution, etc. is deemed to have existed when said approval was given.
- (6) The provisions of the preceding two paragraphs apply mutatis mutandis to cases where a resolution is provisionally made under paragraph (2). In this case, the term "a majority prescribed in paragraph (1)" in the preceding paragraph is deemed to be replaced with "a majority as prescribed in paragraph (2)."
- (7) The provisions of paragraphs (4) and (5) apply mutatis mutandis to cases where a resolution is provisionally made under paragraph (3). In this case, the term "a majority as prescribed in paragraph (1)" in paragraph (5) is deemed to be replaced with "a majority as prescribed in paragraph (3)."

(Permission in Lieu of Extraordinary Resolution of Shareholders Meeting, etc.)  
Article 87 (1) In the event that a Financial Institution under Management that is a Bank, etc. or The Shoko Chukin Bank, Ltd. is unable to satisfy its obligations in full with its property, said Financial Institution under

Management may, notwithstanding the provisions of Article 447, paragraph (1), Article 467, paragraph (1), items (i) and (ii), and Article 471, item (iii) of the Companies Act, carry out the following matters with the permission of the court:

- (i) Reduction in the amount of stated capital;
- (ii) Assignment of all or a material portion of its business;
- (iii) Dissolution.

(2) In the event that a Financial Institution under Management that is a Shinkin Bank, etc. is unable to satisfy its obligations in full with its property, said Financial Institution under Management may, notwithstanding the provisions of Article 48-3 and Article 58, paragraph (1) of the Shinkin Bank Act, Article 53 and Article 57-3, paragraph (1) of the Small and Medium-Sized Enterprises Cooperatives Act, and Article 53 and Article 62, paragraph (1) of the Labor Bank Act, carry out the following matters with permission by the court:

- (i) Dissolution;
- (ii) Assignment of its business;

(3) Notwithstanding the provisions of Article 339, paragraph (1) and Article 403, paragraph (1) of the Companies Act (including the cases where it is applied mutatis mutandis pursuant to the provisions of Article 347, paragraph (1) of said Act), Article 35-8, paragraph (1), of the Shinkin Bank Act, Article 42, paragraph (1) of the Small and Medium-Sized Enterprises Cooperatives Act, and Article 37-6, paragraph (1) of the Labor Bank Act, a financial administrator may, with the permission of the court, dismiss a director, accounting advisor, corporate auditor or accounting auditor of a Financial Institution under Management (in the event that the Financial Institution under Management is a company with committees, a director, executive officer, accounting advisor or accounting auditor, and in the event that the Financial Institution under Management is a Shinkin Bank, etc., a director, inspector or accounting auditor; the same applies in the following paragraph).

(4) In the event that a financial administrator intends to dismiss any director, accounting advisor, corporate auditor or accounting auditor of a Financial Institution under Management under the preceding paragraph, if the number of directors, accounting advisors, corporate auditors or accounting auditors fails to meet the number prescribed by an Act or by the articles of incorporation, the financial administrator may, notwithstanding the provisions of Article 329, paragraph (1) and Article 402, paragraph (2) of the Companies Act, Article 32, paragraph (3) of the Shinkin Bank Act, Article 35, paragraph (3) of the Small and Medium-Sized Enterprises Cooperatives Act, and Article 32, paragraph (3) of the Labor Bank Act, appoint a director, accounting advisor, corporate auditor or accounting auditor of the Financial Institution under Management with permission from the court.

- (5) The director, accounting advisor, corporate auditor and accounting auditor of a Financial Institution under Management appointed under the preceding paragraph will resign at the conclusion of the first annual general meeting or ordinary general meeting (in cases where a general meeting of representatives is established, at which it is possible to appoint officers, the ordinary general meeting of representatives) convened after the end of the business year during which he/she was appointed, and an executive officer will resign at the completion of the first meeting of the board of directors held after the first annual general meeting convened after the end of the business year during which he/she was appointed.
- (6) When the permission prescribed in paragraphs (1) to (4) has been granted (hereinafter referred to as "Substituted Permission" in this Article and the following Article), it is to be deemed that a resolution of a shareholders meeting, etc. or board of directors meeting has been adopted concerning matters pertaining to said Substituted Permission.
- (7) The district court having jurisdiction over the location of the head office or principal office of a Financial Institution under Management will have jurisdiction over cases pertaining to the Substituted Permission.
- (8) The court shall, when it has made a Substituted Permission, serve a written decision thereof on the Financial Institution under Management and give public notice of the gist of the decision.
- (9) The public notice under the preceding paragraph will be published in the official gazette.
- (10) A decision on the Substituted Permission will take effect as from the time of service thereof on the Financial Institution under Management under paragraph (8).
- (11) Shareholders, members, or association members may make an immediate appeal against a decision on the Substituted Permission within an unextendable period of one week from the date of the public notice set forth in paragraph (8). In this case, if the immediate appeal is against a decision on the Substituted Permission pertaining to dissolution, it has the effect of a stay of execution.
- (12) In addition to what is provided for in paragraph (7) to the preceding paragraph, Part I of the Non-Contentious Cases Procedure Act (Act No. 14 of 1898) (excluding Article 2 to Article 4, Article 15, Article 16, Article 18, paragraphs (1) and (2) and Article 20) apply mutatis mutandis to cases pertaining to the Substituted Permission.

(Special Provisions for Registration Pertaining to Substituted Permission)

Article 88 In the event that a Substituted Permission pertaining to matters specified in item (i) or (iii) of paragraph (1) of the preceding Article or item (i)

of paragraph (2) or matters prescribed in paragraph (3) or (4) of the preceding Article, a transcript or extract of a written decision of said Substituted Permission shall be attached to a written application for registration pertaining to said matters.

(Special Provisions for Procedures for Protection of Creditors)

Article 89 In the event that a Financial Institution under Management that is a Bank, etc. or The Shoko Chukin Bank, Ltd. has adopted a resolution for reduction in the amount of stated capital, the notice prescribed in Article 449, paragraph (2) of the Companies Act is not required to be given to the Depositors, etc. or any other creditors specified by a Cabinet Order.

(Conclusion of Management)

Article 90 A financial administrator is to conclude the management of a Financial Institution under Management by transferring its business or taking other measures within one year from the date of the Disposition Ordering Management; provided, however, that in cases where it is impossible to conclude the management within said period due to unavoidable circumstances, said period may be extended for a period not exceeding one year with approval from the Prime Minister.

## **Chapter VI Succession of Business of Failed Financial Institutions**

(Decision to Establish Bridge Bank)

Article 91 (1) The Prime Minister may, if he/she finds it necessary to use a Bridge Bank for the succession of business of a Financial Institution under Management (meaning the succession of business by a Bridge Bank through the Assumption of Business, etc. and the provisional maintenance and continuation of said business by the Bridge Bank; hereinafter the same applies in this Chapter), make the following decisions:

(i) That a Bridge Bank be established by the Corporation as a subsidiary company to carry out the Assumption of Business, etc. in order to succeed to the business of a Financial Institution under Management; and

(ii) That a Bridge Bank should carry out the Assumption of Business, etc. in order to succeed to the business of a Financial Institution under Management.

(2) The Prime Minister may, if he/she finds it necessary, rescind or modify a decision under the preceding paragraph.

(3) A financial administrator may, if he/she finds it necessary, request the Prime Minister to make a decision under paragraph (1) or the preceding paragraph.



(Establishment of Bridge Bank, etc.)

Article 92 (1) When a decision prescribed in paragraph (1), item (i) of the preceding Article is made under paragraph (1) or (2) of the preceding Article, the Corporation shall, following a resolution by the Operation Committee on the details of contribution pertaining to said decision, become the incorporator of a stock company that is to become a Bridge Bank, and provide contribution for the incorporation of said stock company as a subsidiary company of the Corporation.

(2) Any contribution by the Corporation to the Bridge Bank prescribed in the preceding paragraph shall require a resolution by the Operation Committee.

(3) Upon providing the contribution prescribed in the preceding two paragraphs, the Corporation shall promptly report the details thereof to the Prime Minister and the Minister of Finance.

(Confirmation of Succeeded Assets)

Article 93 (1) When a decision specified in Article 91, paragraph (1), item (ii) is made under Article 91, paragraph (1) or (2), a financial administrator of the Financial Institution under Management is to select loan claims and other assets of said Financial Institution under Management to be succeeded to by the Bridge Bank pursuant to the succession of business prescribed in Article 91, paragraph (1) and request the Prime Minister to confirm that they are appropriate assets to be held by the Bridge Bank.

(2) Upon receiving the request prescribed in the preceding paragraph, the Prime Minister is to carry out the confirmation under the preceding paragraph from the viewpoint of facilitating the smooth succession of business and ensuring the sound and appropriate operation of the business of the Bridge Bank.

(3) The Prime Minister and the Minister of Finance shall prescribe standards in advance for carrying out the confirmation under the preceding paragraph and make the standards public.

(4) The standards prescribed in the preceding paragraph shall include standards concerning the status of performance by an obligor of obligations pertaining to claims subject to the confirmation prescribed in paragraph (2).

(Management of Bridge Bank)

Article 94 (1) The Corporation shall manage the Bridge Bank to ensure the proper performance of the following matters:

(i) To carry out the Assumption of Business, etc. in order to succeed the business of the Financial Institution under Management that is subject to said decision, when a decision specified in Article 91, paragraph (1), item (ii) is made under Article 91, paragraph (1) or (2);

(ii) To succeed to the assets that have been confirmed under paragraph (2) of

- the preceding Article as appropriate assets to be held by a Bridge Bank;
- (iii) To comply with the guidelines prescribed in the following paragraph in administering the receipt and payment of the Deposits, etc., loaning funds, and carrying out other operations.
- (2) The Corporation shall prepare guidelines for the administration of receipt and payment of the Deposits, etc., loan of funds, and other operations of a Bridge Bank in accordance with the following and, following approval from the Prime Minister, make such guidelines public:
- (i) The guidelines must be prepared, taking into account that the purpose of a Bridge Bank to facilitate the provisional maintenance and continuation of the administration of receipt and payment of the Deposits, etc., loan of funds, and other operations, giving consideration to ensuring consistency with the standards prescribed in paragraph (3) of the preceding Article, and with a view to ensuring the sound and appropriate operation of the business of a Bridge Bank;
  - (ii) The guidelines must include a statement of matters approved by the Corporation concerning transactions designated by the Corporation among the loan of funds and other operations to be carried out by a Bridge Bank.
- (3) The Corporation may give instructions and advice necessary for the management of a Bridge Bank.

(Cases Where Approval for Business Transfer, etc. Is not Required)

Article 95 The provisions of Article 467, paragraph (1) of the Companies Act (limited to the part pertaining to item (v)) do not apply to the assets for which confirmation has been rendered under Article 93, paragraph (2) in the event that all of the issued shares of the Bridge Bank are held by the Corporation.

(Conclusion of Management, etc.)

Article 96 (1) The Corporation is to conclude the management of a Bridge Bank within two years from the date of the Disposition Ordering Management of the first Financial Institution under Management for which the Bridge Bank receives the transfer of business by taking the following measures; provided, however, that if said management cannot be concluded within said period due to unavoidable circumstances, the time limit may be extended for a period not exceeding one year.

- (i) The merger (limited to a corporation surviving said merger or corporation established by the merger that is not a subsidiary company of the Corporation) of said Bridge Bank;
- (ii) Transfer of the whole of the business of said Bridge Bank;
- (iii) Transfer of shares of the Bridge Bank (limited to transfers through which the Bridge Bank will cease to be a subsidiary company of the Corporation);

- (iv) Dissolution of the Bridge Bank by resolution of shareholders meeting.
- (2) The Corporation shall, if it intends to conclude management under the main clause of the preceding paragraph or extend the time limit under the proviso to the preceding paragraph, obtain approval from the Prime Minister.
- (3) The Corporation shall, when it has concluded the management of a Bridge Bank under paragraph (1) or transferred or made another disposition of shares of a Bridge Bank (including a bank that was formerly a Bridge Bank) (excluding those specified in paragraph (1), item (iii)), shall promptly report to that effect to the Prime Minister and the Minister of Finance.

(Succession Agreement)

Article 97 (1) The Corporation is to conclude an agreement with the Bridge Bank including the following matters (hereinafter referred to as "Succession Agreement" in this Chapter):

- (i) The Bridge Bank that has concluded the Succession Agreement (hereinafter referred to as "Contracted Bridge Bank") shall carry out the matters specified in each item of Article 94, paragraph (1);
  - (ii) The Contracted Bridge Bank may apply to have the Corporation purchase the assets of the Contracted Bridge Bank; and
  - (iii) The Contracted Bridge Bank shall, if it seeks to conclude a contract concerning the borrowing of funds subject to the guarantee of obligations prescribed in paragraph (1) of the following Article, obtain approval from the Corporation for the contents of such contract.
- (2) Upon concluding the Succession Agreement, the Corporation shall immediately report the details thereof to the Prime Minister and the Minister of Finance.

(Guarantee of Loan of Funds and Obligations)

Article 98 (1) In the event that the Corporation has received an application from a Contracted Bridge Bank for a loan of funds necessary to ensure the smooth execution of its business or for a guarantee of obligations pertaining to the borrowing of such funds by the Contracted Bridge Bank, the Corporation may, if it finds it necessary, provide said loan or guarantee of obligations, following a resolution by the Operation Committee.

- (2) When the Corporation has concluded a contract with a Contracted Bridge Bank under the preceding paragraph for a loan or guarantee of obligations prescribed therein, the Corporation shall immediately report the details of the contract to the Prime Minister and the Minister of Finance.

(Compensation for Loss)

Article 99 When any loss is caused to a Contracted Bridge Bank, the amount of

which is calculated pursuant to the provisions of a Cabinet Order, as a result of operations carried out under the Succession Agreement, the Corporation may, following a resolution by the Operation Committee, compensate the Contracted Bridge Bank for said loss within the scope of the amount prescribed in said Cabinet Order.

(Request for Report)

Article 100 The Corporation may, if it finds it necessary for carrying out the operations prescribed in this Chapter, request the Bridge Bank to report on the implementation of the Succession Agreement or financial conditions in connection therewith.

(Financial Assistance to Re-assuming Financial Institution, etc.)

Article 101 (1) A Financial Institution that is undertaking a re-succession to business and is not a Bridge Bank (hereinafter referred to as "Re-assuming Financial Institution" in this Article), or a Bank Holding Company, etc. undertaking a re-succession to business (hereinafter referred to as a "Re-assuming Bank Holding Company, etc." in this Article) may apply to have the Corporation provide Financial Assistance (limited to that specified in Article 59, paragraph (1), item (iii), (vi) or (vii)) to support the re-succession to business.

(2) The term "re-succession to business" as used in the preceding paragraph means the following:

(i) A merger in which a Financial Institution that merges with a Bridge Bank survives;

(ii) A merger in which a Financial Institution is established through the merger of a Bridge Bank and another Financial Institution;

(iii) A transfer by a Bridge Bank of the whole of its business to another Financial Institution (excluding the assets of said Bridge Bank pertaining to the portion of its business, if any, to be purchased by the Corporation); and

(iv) The acquisition of shares of a Bridge Bank by another Financial Institution or Bank Holding Company, etc. conducted to carry out matters specified by the Prime Minister and the Minister of Finance as the matters necessary to ensure sound and appropriate operation of the business of said Bridge Bank.

(3) The purchase of assets prescribed in paragraph (1) is to be conducted with respect to the assets prescribed in each of the following items according to the category of the re-succession of business specified in each respective item:

(i) A merger specified in item (i) of the preceding paragraph: the assets of the Financial Institution surviving through the merger (limited to those that were the assets of the Bridge Bank prior to the merger);

(ii) A merger specified in item (ii) of the preceding paragraph: the assets of the

- Financial Institution that will be established by the merger (limited to those that were the assets of the Bridge Bank prior to the merger);
- (iii) Transfer of the business specified in item (iii) of the preceding paragraph: the assets of another Financial Institution prescribed in said item that have been received through the transfer of said business;
  - (iv) The acquisition of shares specified in item (iv) of the preceding paragraph: the assets of the bank whose shares have been acquired;
- (4) The Securing of Damage prescribed in paragraph (1) is to be conducted with respect to loan claims that are the assets prescribed in each item of the preceding paragraph according to the category of the re-succession to business specified in each respective item of the preceding paragraph.
- (5) The provisions of Article 59, paragraphs (3), (6) and (7) and Article 61, paragraph (1) apply mutatis mutandis to the application prescribed in paragraph (1), and the provisions of Article 61, paragraphs (2) to (4) and (6) to (8) apply mutatis mutandis to the authorization prescribed in Article 61, paragraph (1) as applied mutatis mutandis pursuant to this paragraph. In this case, the term "Assuming Financial Institution" in Article 59, paragraph (3) is deemed to be replaced with "Re-assuming Financial Institution," and the terms "merger, etc.," "Failed Financial Institution," "Assuming Financial Institution," and "Assuming Bank Holding Company, etc." in Article 61 are to be deemed to be replaced with "re-succession of business," "Bridge Bank," "Re-assuming Financial Institution," and "Re-assuming Bank Holding Company, etc.," respectively.
- (6) Even in cases where no application is made under Article 61, paragraph (2) as applied mutatis mutandis pursuant to the preceding paragraph, the Prime Minister may, if he/she finds that a Bridge Bank satisfies the requirements specified in item (iii) of paragraph (3) as applied mutatis mutandis pursuant to the preceding paragraph, provide mediation in writing with regard to the re-succession to business (excluding the merger specified in item (ii) of paragraph (2) and limited to those that contribute to the protection of Depositors, etc. and other creditors and for which Financial Assistance by the Corporation is indispensable) between said Bridge Bank and another Financial Institution or said Bridge Bank and a Bank Holding Company, etc.
- (7) The provisions of Article 62, paragraphs (2) and (4) to (6) apply mutatis mutandis to the mediation prescribed in the preceding paragraph, the provisions of Article 64 (excluding paragraph (2)) and Article 64-2 apply mutatis mutandis to the application prescribed in paragraph (1), the provisions of Article 65 and Article 66 apply mutatis mutandis to the Financial Institution or Bank Holding Company, etc. that has received the authorization prescribed in Article 61, paragraph (1) as applied mutatis mutandis pursuant to paragraph (5) or that has received the mediation prescribed in the preceding

paragraph, the provisions of Article 67 apply mutatis mutandis to the Re-assuming Financial Institution, the provisions of Article 68 apply mutatis mutandis to the Financial Assistance provided by the Corporation for re-succession to business, and the provisions of Article 68-2 and Article 68-3 apply mutatis mutandis to the Re-assuming Financial Institution that has received said Financial Assistance (limited to those pertaining to the Subscription for Preferred Shares, etc.) (including the Financial Institutions established by the merger pertaining to said Subscription for Preferred Shares, etc.) or the Re-assuming Bank Holding Company, etc. (including the company prescribed in Article 68-2, paragraph (2) as applied mutatis mutandis pursuant to this paragraph in the event that the approval prescribed in Article 68-2, paragraph (1) as applied mutatis mutandis pursuant to this paragraph is granted, and the succeeding Financial Institution, etc. prescribed in Article 68-3, paragraph (4) as applied mutatis mutandis pursuant to this paragraph in the event that the approval prescribed in Article 68-3, paragraph (1) as applied mutatis mutandis pursuant to this paragraph is granted). In this case, the term "Article 59, paragraph (1) or Article 59-2, paragraph (1)" in Article 62, paragraph (2) is to be deemed to be replaced with "Article 101, paragraph (1)," the term "paragraphs (4) to (7)" in Article 62, paragraph (4) is to be deemed to be replaced with "paragraphs (4), (6) and (7)," the term "a Failed Financial Institution or a Financial Institution recognized as having a high probability of becoming a Failed Financial Institution" in Article 62, paragraph (5) is to be deemed to be replaced with "Bridge Bank," the term "merger, etc." in Article 64, paragraph (3) and (5) is to be deemed to be replaced with "re-succession to business," the term "Assuming Financial Institution" and "Assuming Bank Holding Company, etc." in Article 64-2, paragraphs (1) and (2) are to be deemed to be replaced with "Re-assuming Financial Institution" and "Re-assuming Bank Holding Company, etc.," respectively, and the term "merger, etc." in said paragraph is to be deemed to be replaced with "re-succession to business," the terms "merger, etc. (limited to those specified in Article 59, paragraph (2), item (ii))" and "said merger, etc." in Article 64-2, paragraph (4) are to be deemed to be replaced with "re-succession of business (limited to those specified in Article 101, paragraph (2), item (ii))" and "said re-succession of business," respectively, the terms "Assuming Financial Institution" and "Assuming Bank Holding Company, etc." in Article 64-2, paragraph (5) are to be deemed to be replaced with "Re-assuming Financial Institution" and "Re-assuming Bank Holding Company, etc.," respectively, and the term "merger, etc." in Article 65 and Article 68 is to be deemed to be replaced with "re-succession of business," and any other necessary technical replacement of terms will be specified by a Cabinet Order.

## Chapter VII Measures against a Financial Crisis

(Confirmation of Necessity for Measures against a Financial Crisis)

Article 102 (1) If the Prime Minister finds that, if the measures specified in each of the following items are not taken with respect to the Financial Institution specified in each respective item, it may extremely seriously hinder the maintenance of an orderly credit system in Japan or in a certain region where said Financial Institution conducts its business, the Prime Minister may, following deliberation by a council for financial crises (hereinafter referred to as the "Council" in this Chapter), confirm the necessity to take said measures (hereinafter referred to as "Confirmation" in this Chapter):

- (i) A Financial Institution (excluding the Financial Institution specified in the following item): the Subscription for Shares, etc. of said Financial Institution by the Corporation for the purpose of enhancing the adequacy of equity capital of said Financial Institution or subscription for shares issued by a Bank Holding Company, etc. (limited to those specified in Article 2, paragraph (5), item (i) or (iii); hereinafter the same applies through to Article 108-3) having said Financial Institution as its subsidiary company (meaning the subsidiary company prescribed in Article 2, paragraph (8) of the Banking Act or the subsidiary company prescribed in Article 13-2, paragraph (2) of the Long-Term Credit Bank Act; hereinafter the same applies through to Article 108-3) (hereinafter referred to as the "Measures Under Item (i)" in this Chapter);
  - (ii) A Failed Financial Institution or Financial Institution that is unable to satisfy its obligations in full with its assets: the Financial Assistance for an amount that is expected to exceed the expected costs for the payment of insurance proceeds with respect to an insurable contingency of said Financial Institution (hereinafter referred to as the "Measures Under Item (ii)" in this Chapter);
  - (iii) A Bank, etc. falling under a Failed Financial Institution that is unable to satisfy its obligations in full with its assets: the measures prescribed in Article 111 to Article 119 (hereinafter referred to as the "Measures Under Item (iii)" in this Chapter).
- (2) If the Prime Minister intends to give Confirmation with respect to a labor bank or The Rokinren Bank, he/she shall hear the opinion of the Minister of Health, Labour and Welfare in advance, and if he/she intends to give Confirmation with respect to The Shoko Chukin Bank, Ltd., he/she shall hear the opinion of the Minister of Economy, Trade and Industry in advance.
- (3) Confirmation pertaining to the Measures Under Item (iii) may not be given unless the Prime Minister finds that the Measures Under Item (ii) cannot prevent the hindrance prescribed in paragraph (1).

- (4) When giving Confirmation pertaining to the Measures Under Item (i), the Prime Minister shall specify a period of time within which an application under Article 105, paragraph (1) or (2) can be made by a Financial Institution subject to said Confirmation or Bank Holding Company, etc. which has said Financial Institution as its subsidiary company.
- (5) Upon giving Confirmation, the Prime Minister shall announce such fact and, if the Confirmation is in relation to the Measures Under Item (i), the period of time specified under the preceding paragraph, to the Financial Institution subject to said Confirmation or Bank Holding Company, etc. which has said Financial Institution as its subsidiary company and the Corporation, and give public notice thereof in the official gazette.
- (6) Upon giving Confirmation, the Prime Minister shall report the details of said Confirmation to the Diet.

(Rescission of Confirmation Pertaining to Measures Under Item (i))

Article 103 (1) If, between the time of Confirmation pertaining to the Measures Under Item (i) and the decision under Article 105, paragraph (4), a Financial Institution subject to said Confirmation comes to fall under the Financial Institution specified in item (ii) of paragraph (1) of the preceding Article, the Prime Minister, following deliberation by the Council, is to rescind said Confirmation.

- (2) The provisions of paragraphs (2), (5), and (6) of the preceding Article apply mutatis mutandis to the rescission of the Confirmation under the preceding paragraph.

(Submission of Plan Specifying Measures to Enhance the Adequacy of Equity Capital, etc.)

Article 104 (1) A Financial Institution subject to Confirmation pertaining to the Measures Under Item (i) shall, if said Financial Institution and Bank Holding Company, etc. which has said Financial Institution as its subsidiary company do not make an application prescribed in paragraph (1) or (2) of the following Article, submit a plan to the Prime Minister within the period prescribed in Article 102, paragraph (4), setting forth measures to enhance the adequacy of equity capital by a method other than the Measures Under Item (i).

- (2) If the Prime Minister finds that the plan submitted under the preceding paragraph by the Financial Institution prescribed in said paragraph is appropriate, he/she is to, following deliberation by the Council, rescind the Confirmation pertaining to said Financial Institution.
- (3) The provisions of Article 102, paragraph (2), (5) and (6) apply mutatis mutandis to the rescission of Confirmation under the preceding paragraph.
- (4) In the event that a Financial Institution subject to Confirmation pertaining to



the Measures Under Item (i) and Bank Holding Company, etc. which has said Financial Institution as its subsidiary company have not made an application prescribed in paragraph (1) or (2) of the following Article within the period prescribed in Article 102, paragraph (4), if said Financial Institution does not submit the plan prescribed in paragraph (1) within said period, the Prime Minister is to rescind said Confirmation.

- (5) If the Prime Minister finds that the plan submitted by a Financial Institution under paragraph (1) is not appropriate, the Prime Minister is to rescind said Confirmation.
- (6) If the Prime Minister intends to rescind the Confirmation pertaining to the Measures Under Item (i) under the provisions of the preceding two paragraphs, he/she shall hear the opinion of the Minister of Finance in advance.
- (7) The provisions of Article 102, paragraphs (2), (5) and (6) apply mutatis mutandis to the rescission of the Confirmation pertaining to the Measures Under Item (i) under paragraph (4) or (5).
- (8) In the event that Confirmation pertaining to the Measures Under Item (i) has been rescinded under paragraph (4) or (5), when a situation is likely to arise in which the Financial Institution subject to said rescission is unable to satisfy its obligations in full with its assets, the Prime Minister may, notwithstanding the provisions of Article 102, paragraph (1), give the Confirmation pertaining to the Measures Under Item (ii) with respect to said Financial Institution, following deliberation by the Council.
- (9) The provisions of Article 102, paragraphs (2), (5) and (6) apply mutatis mutandis to the Confirmation pertaining to the Measures Under Item (ii) prescribed in the preceding paragraph. In this case, the term "Financial Institution subject to said Confirmation or Bank Holding Company, etc. which has said Financial Institution as its subsidiary company" in Article 102, paragraph (5) is to be deemed to be replaced with "Financial Institution subject to said Confirmation."

(Decision for Subscription for Shares, etc.)

Article 105 (1) In the event that Confirmation pertaining to the Measures Under Item (i) has been given, when the Corporation has received an application pertaining to the Measures Under Item (i) (limited to the Subscription for Shares, etc. for said Financial Institution; hereinafter the same applies in this paragraph) from the Financial Institution subject to said Confirmation within the period prescribed in Article 102, paragraph (4), the Corporation shall request a decision from the Prime Minister (in the event that the Financial Institution is a labor bank or The Rokinren Bank, from the Prime Minister and the Minister of Health, Labour and Welfare, and in the event that such Financial Institution is The Shoko Chukin Bank, Ltd., from the Prime Minister,

the Minister of Finance, and Minister of Economy, Trade and Industry; the same applies in paragraphs (3) to (6), Article 108, and Article 110, paragraph (1)) in joint names with said Financial Institution as to whether or not to implement the Measures Under Item (i) pertaining to said application.

(2) In the event that Confirmation pertaining to the Measures Under Item (i) has been given, when the Corporation has received an application pertaining to the Measures Under Item (i) from the Bank Holding Company, etc. which has as its subsidiary company the Financial Institution subject to said Confirmation (limited to the subscription for shares issued by said Bank Holding Company, etc.; hereinafter the same applies in this paragraph) within the period prescribed in Article 102, paragraph (4), the Corporation shall request a decision from the Prime Minister in joint names with said Bank Holding Company, etc. as to whether or not to implement the Measures Under Item (i) pertaining to said application.

(3) A Financial Institution that has made an application prescribed in paragraph (1) or a Financial Institution subject to the Confirmation pertaining to the Measures Under Item (i) that is a subsidiary company of the Bank Holding Company, etc. and has made an application prescribed in the preceding paragraph (hereinafter referred to as "Subject Subsidiary Company" in this Chapter) is to submit to the Prime Minister a management soundness improvement plan (meaning a plan to ensure the soundness of business management; hereinafter the same applies in this Chapter) setting forth measures to ensure the rationalization of management and to establish a responsible management system (including, in the event that the Bank Holding Company, etc. has made an application prescribed in said paragraph, the management system of said Bank Holding Company, etc.) and other measures specified by a Cabinet Order. In this case, the Subject Subsidiary Company of the Bank Holding Company, etc. that is to make an application prescribed in said paragraph is to submit said plan in joint names with said Bank Holding Company, etc.

(4) The Prime Minister is to decide to take the Measures Under Item (i) pertaining to an application prescribed in paragraph (1) or (2) only if all of the following requirements are satisfied:

(i) There are no serious difficulties associated with the disposal of the Shares, etc. (including the following) or loan claims acquired by the Corporation in connection with the Measures Under Item (i);

(a) In the event that the Shares, etc. are shares: the shares specified below.

1. In the event that a request can be made for the conversion of said shares into shares of another class (meaning the delivery of shares of another class in exchange for the acquisition of said shares by their issuing company; hereinafter the same applies in this Chapter): shares of

- another class into which said shares are converted pursuant to the request.
2. In the event that said shares are convertible upon the occurrence of certain events: shares of another class into which said shares are converted as a result of such occurrence.
  3. Shares split or consolidated with respect to said shares or the shares of another class specified in 1 or 2.
    - (b) In the event that said Shares, etc. are subordinated bonds: shares delivered through the exercise of share options attached to said subordinated bonds and shares split or consolidated with respect thereto.
    - (c) In the event that said Shares, etc. are preferred equity investments: preferred equity investments split with respect to said preferred equity investments.
  - (ii) When a Bank Holding Company, etc. has made an application prescribed in paragraph (2), the Bank Holding Company, etc. is not unable to satisfy its obligations in full with its property;
  - (iii) The Financial Institution is expected to implement the following measures through the reliable execution of the management soundness improvement plan, etc.:
    - (a) Measures to ensure the rational management of business
    - (b) Measures to clarify management responsibilities
    - (c) Measures to clarify shareholder responsibilities
  - (5) The Prime Minister shall obtain consent from the Minister of Finance when making a decision under the preceding paragraph; provided, however, that this does not apply if said decision relates to The Shoko Chukin Bank, Ltd.
  - (6) Upon making a decision under paragraph (1) or (2), the Prime Minister shall report such fact to the Financial Institution that has made the application prescribed in paragraph (1) or the Bank Holding Company, etc. that has made the application prescribed in paragraph (2) and the Corporation.
  - (7) When a decision is made not to implement the Measures Under Item (i) pertaining to an application prescribed in paragraph (1) or (2), the Prime Minister is to immediately rescind the Confirmation pertaining to the Measures Under Item (i) with respect to the Financial Institution that has made the application prescribed in paragraph (1) or the Subject Subsidiary Company of the Bank Holding Company, etc. that has made the application prescribed in paragraph (2).
  - (8) The provisions of Article 102, paragraphs (2), (5) and (6), and paragraphs (6) and (8) of the preceding Article apply mutatis mutandis to the rescission of Confirmation under the preceding paragraph pertaining to the Measures Under Item (i) and the provisions of paragraph (9) of the preceding Article apply mutatis mutandis to Confirmation pertaining to the Measures Under

Item (ii) under paragraph (8) of the preceding Article as applied mutatis mutandis pursuant to the provisions of this paragraph.

(Special Provisions for Reduction in Amount of Stated Capital)

- Article 106 (1) In the event that an application prescribed in paragraph (1) or (2) of the preceding Article has been made (in the event that an application prescribed in paragraph (1) of the preceding Article has been made, limited to applications pertaining to subscription for shares), the Prime Minister may, if he/she finds it necessary in making a decision under paragraph (4) of the preceding Article pertaining to said application, require that said subscription for shares be conditioned upon a reduction in the amount of stated capital of a Bank, etc., Bank Holding Company, etc., the Subject Subsidiary Company of said Bank Holding Company, etc., or The Shoko Chukin Bank, Ltd. that is subject to said decision.
- (2) The provisions of Article 89 apply mutatis mutandis to a reduction in the amount of stated capital in the event that a decision is made under paragraph (4) of the preceding Article whereby the subscription for shares is conditioned upon a reduction in the amount of stated capital being made pursuant to the provisions of the preceding paragraph.
- (3) In the event that a decision is made under paragraph (4) of the preceding Article whereby the subscription for shares is conditioned upon a reduction in the amount of stated capital made pursuant to the provisions of paragraph (1), the Bank, etc. or Bank Holding Company, etc. or the Subject Subsidiary Company of said Bank Holding Company, etc. or The Shoko Chukin Bank, Ltd. that is subject to said decision shall, when it has obtained or failed to obtain a resolution of a shareholders meeting or class meeting with respect to said reduction in the amount of stated capital, immediately report such fact and submit the minutes of the shareholders meeting and other documents specified by a Cabinet Order to the Prime Minister, and shall also notify the Corporation to that effect.
- (4) In the case prescribed in the preceding paragraph, if a resolution by a shareholders meeting or class meeting is not obtained for the reduction in the amount of stated capital that is prescribed as the condition under said paragraph, the Prime Minister is to rescind the Confirmation pertaining to the Measures Under Item (i) with respect to said Bank, etc., Subject Subsidiary Company, or The Shoko Chukin Bank, Ltd. and also rescind the decision under paragraph (4) of the preceding Article with respect to said Bank, etc., Bank Holding Company, etc., or The Shoko Chukin Bank, Ltd.
- (5) The provisions of Article 102, paragraphs (5) and (6) and Article 104, paragraphs (6) and (8) apply mutatis mutandis to the rescission of Confirmation pertaining to the Measures Under Item (i) under the preceding

paragraph, the provisions of Article 104, paragraph (9) (excluding the part pertaining to Article 102, paragraph (2)) apply mutatis mutandis to the Confirmation pertaining to the Measures Under Item (ii) under Article 104, paragraph (8) as applied mutatis mutandis pursuant to this paragraph, and the provisions of paragraph (6) of the preceding Article apply mutatis mutandis to the event that a decision under paragraph (4) of the preceding Article is rescinded pursuant to the provisions of the preceding paragraph.

- (6) For the purpose of applying the provisions of paragraphs (1) and (3) in the event that a Financial Institution subject to a decision under paragraph (4) of the preceding Article is The Shoko Chukin Bank, Ltd., the term "the Prime Minister" in these provisions is to be deemed to be "the Prime Minister, the Minister of Finance, and the Minister of Economy, Trade and Industry."

(Subscription for Shares, etc. by Corporation)

Article 107 (1) When a decision is made under Article 105, paragraph (4), the Corporation is to execute the Subscription for Shares, etc. in accordance with said decision.

- (2) The Corporation shall, when it has executed the Subscription for Shares, etc. under the preceding paragraph, promptly report the details thereof to the Prime Minister and the Minister of Finance (in the event that the issuer of the Shares, etc. is a labor bank or The Rokinren Bank, the Prime Minister, the Minister of Finance, and the Minister of Health, Labour and Welfare, and in the event that the issuer of the Shares, etc. is The Shoko Chukin Bank, Ltd., the Prime Minister, the Minister of Finance, and the Minister of Economy, Trade and Industry).

- (3) In the case of a Bank Holding Company, etc. that has made an application prescribed in Article 105, paragraph (2), if the Corporation has executed the subscription for shares issued by the Bank Holding Company, etc. in accordance with a decision under Article 105, paragraph (4), said Bank Holding Company, etc. shall execute the Subscription for Shares, etc. (limited to the cases where the amount of said Subscription for Shares, etc. is not less than the amount of said subscription for shares) without delay with respect to the Subject Subsidiary Company.

(Special Provisions for Restrictions on Increase in Total Number of Shares Issued by Company)

Article 107-2 (1) In the event that an application prescribed in Article 105, paragraph (1) or (2) is for subscription for shares or subordinated bonds (limited to those with share options; hereinafter the same applies in this Article), when the Prime Minister (in the event that the issuer of shares or subordinated bonds is The Shoko Chukin Bank, Ltd., the Prime Minister, the

Minister of Finance, and the Minister of Economy, Trade and Industry) has made a decision under Article 105, paragraph (4) pertaining to said application, if the total number of issued shares of the Financial Institution or Bank Holding Company, etc. that has made said application, the number of shares to be increased as a result of conversion pursuant to a request for conversion pertaining to said issued shares or conversion upon the occurrence of certain events, and the number of shares to be increased as a result of the delivery of shares following the exercise of share options which have already been issued, coupled with the number of shares pertaining to said subscription, the number of shares to be increased as a result of the issuance of shares pursuant to a request for conversion pertaining to said subscription, and the number of shares to be increased as a result of the issuance of shares following the exercise of share options attached to subordinated bonds pertaining to said subscription (hereinafter referred to as the "Total Number of Shares after Subscription" in this paragraph) exceeds the number four times the total number of issued shares, said Financial Institution or Bank Holding Company, etc. may, notwithstanding the provisions of Article 113, paragraph (3) of the Companies Act, increase the total number of shares issued by said Financial Institution or Bank Holding Company, etc. to the number equal to four times the Total Number of Shares after Subscription, on condition that the subscription for shares or subordinated bonds is executed in accordance with the decision under Article 105, paragraph (4).

- (2) In the event that a Financial Institution or Bank Holding Company, etc. increases the total number of shares to be issued based on the provisions of the preceding paragraph, for the purpose of applying the provisions of Article 46, paragraph (2) of the Commercial Registration Act (Act No. 125 of 1963) concerning a written application for a registration of change due to said increase, the term "the minutes" in Article 46, paragraph (2) of said Act is to be deemed to be "the minutes and documents evidencing the subscription for shares or subordinated bonds in accordance with a decision under Article 105, paragraph (4) of the Deposit Insurance Act (Act No. 34 of 1971)."

(Special Provisions for Issuance of Shares with Restricted Voting Rights)

Article 107-3 (1) For the purpose of applying the provisions of Article 115 of the Companies Act, it is deemed that no shares with restricted voting rights (meaning the shares with restricted voting rights prescribed in Article 115 of said Act; hereinafter the same applies in this Article) have been issued in accordance with a decision under Article 105, paragraph (4) by a Financial Institution or Bank Holding Company, etc. that has said Financial Institution as its Subject Subsidiary Company and is subject to the Confirmation pertaining to the Measures Under Item (i).

- (2) In the event that shares with restricted voting rights are issued in accordance with a decision under Article 105, paragraph (4) by a Financial Institution or Bank Holding Company, etc. referred to in the preceding paragraph, registration to that effect shall be made in registering a change resulting from the issuance of said shares with restricted voting right.
- (3) For the purpose of applying the provisions of Article 56 of the Commercial Registration Act in the case referred to in the preceding paragraph, the term "the following documents" in said Article is to be deemed to be "the following documents and documents evidencing the fact that the issuance of shares with restricted voting right is in accordance with a decision under Article 105, paragraph (4) of the Deposit Insurance Act (Act No. 34 of 1971)."

(Special Provisions for Issuance of Preferred Equity Investments)

Article 107-4 (1) For the purpose of applying the provisions of Article 4, paragraph (2) of the Preferred Equity Investment Act, it is deemed that no preferred equity investments have been issued in accordance with a decision under Article 105, paragraph (4) by a Financial Institution that is subject to the Confirmation pertaining to the Measures Under Item (i).

- (2) In the event that preferred equity investments have been issued in accordance with a decision under Article 105, paragraph (4) by a Financial Institution referred to in the preceding paragraph, registration to that effect shall be made pursuant to the provisions of a Cabinet Order in registering a change resulting from the issuance of said preferred equity investments.

(Publication of Plan, etc.)

Article 108 (1) The Prime Minister is to, upon making a decision under Article 105, paragraph (4), make public the management soundness improvement plan submitted under Article 105, paragraph (3); provided, however, that this does not apply to matters for which disclosure is likely to harm an orderly financial system, divulge any secret of Depositors, etc. or business customers of a Financial Institution that has submitted the management soundness improvement plan (including a Bank Holding Company, etc. and its subsidiary company, etc. (meaning a subsidiary company, etc. that is a Bank, etc. prescribed in Article 52-25 of the Banking Act (including the cases where it is applied mutatis mutandis pursuant to Article 17 of the Long-Term Credit Bank Act)) that have submitted said management soundness improvement plan in joint names; hereinafter the same applies in this paragraph), or bring undue disadvantage to the conduct of business by said Financial Institution.

- (2) Until such time when the Corporation makes a disposition or receives a redemption or repayment with respect to the whole of acquired Shares, etc. or acquired loan claims (meaning loan claims acquired by the Corporation

pursuant to the Measures Under Item (i); hereinafter the same applies in this Chapter), the Prime Minister may request a Financial Institution subject to Confirmation pertaining to said Measures Under Item (i) (including the Bank Holding Company, etc. that has submitted a management soundness improvement plan under Article 105, paragraph (3) in joint names with said Financial Institution) to report the status of implementation of the management soundness improvement plan submitted under Article 105, paragraph (3) and make such report public.

(3) The term "acquired Shares, etc." as used in the preceding paragraph means the following:

(i) The Shares, etc. (including the following) acquired by the Corporation pursuant to the Measures Under Item (i) and other Shares, etc. specified by a Cabinet Order:

(a) In the event that the Shares, etc. are shares the shares specified below.

1. In the event that a request can be made for the conversion of said shares into shares of another class: shares of the other class into which said shares are converted pursuant to the request.
2. In the event that said shares are convertible upon the occurrence of certain events: shares of the other class into which said shares are converted as a result of such occurrence.
3. Shares split or consolidated with respect to said shares or the shares of another class specified in 1 or 2.

(b) In the event that said Shares, etc. are subordinated bonds: shares delivered through the exercise of share options attached to said subordinated bonds and shares split or consolidated with respect thereto.

(c) In the event that said Shares, etc. are preferred equity investments: preferred equity investments split with respect to said preferred equity investments.

(ii) The shares (including the following) allotted to the Corporation by a company that has become a wholly owning parent stock company in a share exchange or wholly owning parent company incorporated through a share transfer of a Financial Institution or Bank Holding Company, etc. with respect to whom the Corporation has executed the Subscription for Shares, etc. pursuant to the Measures Under Item (i) and other Shares, etc. specified by a Cabinet Order.

(a) In the event that a request can be made for the conversion of said shares into shares of another class: shares of the other class into which said shares are converted pursuant to the request.

(b) In the event that said shares are convertible upon the occurrence of certain events, shares of another class into which said shares are converted as a result of such occurrence.



- (c) The shares split or consolidated with respect to said shares or the shares of another class specified in (a) or (b).

(Authorization for Share Exchange, etc. Pertaining to Measures Under Item (i))  
Article 108-2 (1) A Financial Institution or Bank Holding Company, etc.

(including a company prescribed in item (i) of the following paragraph in the event that the authorization set forth in this paragraph is given) with respect to which the Corporation has executed the Subscription for Shares, etc. in accordance with a decision under Article 105, paragraph (4), which has issued acquired Shares, etc. (meaning acquired Shares, etc. prescribed in paragraph (3) of the preceding Article; hereinafter the same applies in this Chapter) actually held by the Corporation (hereinafter referred to as "Issuing Financial Institution, etc." in this Article and the following Article) shall obtain authorization from the Prime Minister in advance if said Financial Institution or Bank Holding Company, etc. intends to effect a share exchange (limited to those through which the Issuing Financial Institution, etc. becomes a wholly owned subsidiary company in share exchange) or share transfer (hereinafter referred to as "Share Exchange, etc." in this Article).

- (2) The Prime Minister is to give the authorization set forth in the preceding paragraph only if all of the following requirements are satisfied:
  - (i) A company that is to become, through the Share Exchange, etc., a wholly owning parent stock company in share exchange or wholly owning parent company incorporated through share transfer of the Issuing Financial Institution, etc. is a Bank Holding Company, etc. (including those that will be newly established);
  - (ii) The type of acquired Shares, etc. to be allotted to the Corporation through the Share Exchange, etc. is found to be the same as the type of acquired Shares, etc. actually held by the Corporation prior to said Share Exchange, etc., and the ratio of voting rights pertaining to acquired Shares, etc. actually held by the Corporation after said Share Exchange, etc. to voting rights of all shareholders of the company prescribed in the preceding item is not significantly lower than the ratio of voting rights pertaining to acquired Shares, etc. held by the Corporation prior to said Share Exchange, etc. to voting rights of all shareholders of said Issuing Financial Institution, etc.
  - (iii) There will be no difficulty in disposing of the acquired Shares, etc. following the Share Exchange, etc.
- (3) When the Issuing Financial Institution, etc. has executed a Share Exchange, etc. following the authorization set forth in paragraph (1), said Issuing Financial Institution, etc., a Financial Institution that is a subsidiary company of said Issuing Financial Institution, etc. with respect to which the Corporation has executed the Subscription for Shares, etc. in accordance with a decision

under Article 105, paragraph (4), or the Subject Subsidiary Company (including the succeeding subsidiary company prescribed in paragraph (4) of the following Article) of the Bank Holding Company, etc. with respect to which the Corporation has executed the subscription for shares in accordance with a decision under Article 105, paragraph (4) shall submit to the Prime Minister, in joint names with a company that has become, through said Share Exchange, etc., a wholly owning parent stock company in a share exchange or wholly owning parent company incorporated through a share transfer of said Issuing Financial Institution, etc., a new management soundness improvement plan to replace the management soundness improvement plan that has been implemented (meaning the plan submitted under Article 105, paragraph (3), this paragraph, or paragraph (3) of the following Article as applied mutatis mutandis pursuant to the provisions of paragraph (4) of the following Article), stating, in addition to the measures stated in said management soundness improvement plan (excluding the part pertaining to the management system of the Bank Holding Company, etc. in joint names with whom said management soundness improvement plan was submitted), measures to establish a responsible management system in a company that has become, through the Share Exchange, etc., a wholly owning parent stock company in a share exchange or wholly owning parent company incorporated through a share transfer of said Issuing Financial Institution, etc., and other measures specified by a Cabinet Order.

- (4) The provisions of the preceding Article apply mutatis mutandis to the management soundness improvement plan submitted to the Prime Minister under the preceding paragraph. In this case, the term "Financial Institution ... (... that has submitted a management soundness improvement plan under Article 105, paragraph (3))" in paragraph (2) of the preceding Article is to be deemed to be replaced with "Financial Institution ... that has submitted a management soundness improvement plan under Article 108-2, paragraph (3) (... that has submitted said management soundness improvement plan."

(Authorization for Corporate Reorganization Pertaining to Measures Under Item (i))

Article 108-3 (1) A Financial Institution (including a Succeeding Financial Institution prescribed in item (i) of the following paragraph in the event that the authorization set forth in this paragraph is given) with respect to which the Corporation has executed the Subscription for Shares, etc. in accordance with a decision under Article 105, paragraph (4), which is an issuer of acquired Shares, etc. or obligor of acquired loan claims actually held by the Corporation (hereinafter referred to as "Subject Financial Institution" in this Article) shall, if it intends to undertake the succession to business through a merger,

company split, or Business Transfer, etc. (hereinafter referred to as "Corporate Reorganization" in this Article), obtain authorization from the Prime Minister (in the event that the Subject Financial Institution is a labor bank or The Rokinren Bank, the Prime Minister and the Minister of Health, Labour and Welfare, in the event that such Financial Institution is The Shoko Chukin Bank, Ltd., the Prime Minister, the Minister of Finance, and the Minister of Economy, Trade and Industry; the same applies in the following paragraph and Article 151, paragraph (1)) in advance.

- (2) The Prime Minister is to give the authorization set forth in the preceding paragraph only if all of the following requirements are satisfied:
- (i) A corporation who is to become an issuer of acquired Shares, etc. or obligor of acquired loan claims held by the Corporation after the Corporate Reorganization is the Subject Financial Institution or is another Financial Institution (including those that will be newly established; hereinafter referred to as the "Succeeding Financial Institution" in this Article) that succeeds to the whole of the business pertaining to said management soundness improvement plan (meaning the plan submitted under Article 105, paragraph (3) or the following paragraph) that has been implemented by said Subject Financial Institution (hereinafter referred to as "Management Soundness Improvement Operations" in this paragraph);
  - (ii) The management soundness improvement of the Subject Financial Institution (including the Succeeding Financial Institution) is not hindered as a result of the Corporate Reorganization;
  - (iii) It can be expected with certainty that, when the Management Soundness Improvement Operations are to be succeeded to, such succession will be conducted smoothly and appropriately;
  - (iv) There will be no difficulty in making a disposition or receiving a redemption or repayment with respect to said acquired Shares, etc. or acquired loan claims following the Corporate Reorganization; and
  - (v) Other requirements specified by a Cabinet Order.
- (3) In the event that the Subject Financial Institution has conducted the Corporate Reorganization following the authorization set forth in paragraph (1), when there is any Succeeding Financial Institution pertaining to said Corporate Reorganization, said Succeeding Financial Institution shall submit a management soundness improvement plan, setting forth measures to achieve the rationalization of management, measures to establish a responsible management system, and other measures specified by a Cabinet Order, to the Prime Minister (in the event that said Succeeding Financial Institution is a labor bank or The Rokinren Bank, the Prime Minister and the Minister of Health, Labour and Welfare, and in the event that such Financial Institution is The Shoko Chukin Bank, Ltd., the Prime Minister, the Minister of Finance,

and the Minister of Economy, Trade and Industry; the same applies in paragraph (8)).

(4) The provisions of the preceding three paragraphs apply mutatis mutandis to the Subject Subsidiary Company of the Bank Holding Company, etc. with respect to which the Corporation has executed the subscription for shares in accordance with a decision under Article 105, paragraph (4) or the Financial Institution (including the Succeeding Financial Institution) with respect to which the Corporation has executed the Subscription for Shares, etc. in accordance with a decision under Article 105, paragraph (4) that has ceased to be a Subject Financial Institution as a result of said share exchange or share transfer effected by said Financial Institution (including a succeeding subsidiary company (meaning another Financial Institution prescribed in item (i) of paragraph (2) as applied mutatis mutandis pursuant to this paragraph; hereinafter the same applies in this Article); hereinafter referred to as "Subject Subsidiary Company, etc." in this Article) that has been implementing a management soundness improvement plan (meaning a plan submitted under Article 105, paragraph (3), paragraph (3) of the preceding Article (including the cases where it is applied mutatis mutandis pursuant to paragraph (8)), the preceding paragraph as applied mutatis mutandis pursuant to this paragraph, or paragraph (7)). In this case, the term "if it intends to undertake the succession to business through a merger, company split" in paragraph (1) is to be deemed to be replaced with "until such time that the Corporation has made a disposition or received a redemption or repayment with respect to all of the acquired Shares, etc. or acquired loan claims pertaining to the Financial Institution or Bank Holding Company, etc. that has executed the Subscription for Shares, etc. in accordance with a decision under Article 105, paragraph (4) pertaining to the relevant management soundness improvement plan, if it intends to undertake the succession to business through a merger, company split," the terms "A corporation who is to become an issuer of acquired Shares, etc. or obligor of acquired loan claims held by the Corporation after the Corporate Reorganization is the Subject Financial Institution or is another... (meaning the plan submitted under Article 105, paragraph (3) or the following paragraph) that has been implemented by said Subject Financial Institution (meaning the plan submitted under Article 105, paragraph (3) or the following paragraph) that has been implemented by said Subject Financial Institution (hereinafter referred to as "Management Soundness Improvement Operations" in this paragraph)" and "including the Succeeding Financial Institution" in paragraph (2) are to be deemed to be replaced with "A Bank Holding Company, etc. that has submitted said management soundness improvement plan in joint names with said Subject Subsidiary Company, etc. is a Bank Holding Company, etc. having as its subsidiary ... (hereinafter referred to as "Management

Soundness Improvement Operations" in this paragraph) or to said Subject Subsidiary Company, etc.", and "including a succeeding subsidiary company," respectively, and the terms "Succeeding Financial Institution" and "setting forth measures to achieve the rationalization of management" in the preceding paragraph are to be deemed to be replaced with "succeeding subsidiary company" and "in joint names with the Bank Holding Company, etc. prescribed in item (i) of paragraph (2), setting forth measures to achieve the rationalization of management" respectively.

- (5) The Issuing Financial Institution, etc. other than the Subject Financial Institution (including another Bank Holding Company, etc. prescribed in item (i) of the following paragraph in the event that the authorization set forth in this paragraph is granted, or company prescribed in item (i) of paragraph (2) of the preceding Article as applied mutatis mutandis pursuant to paragraph (8) in the event that the authorization set forth in paragraph (1) of the preceding Article as applied mutatis mutandis pursuant to paragraph (8) is granted which is an issuer of acquired Shares, etc. actually held by the Corporation (hereinafter referred to as "Issuing Bank Holding Company, etc. after Corporate Reorganization" in this Article); the same applies in the following paragraph) shall, if it intends to conduct Corporate Reorganization, obtain authorization from the Prime Minister in advance.
- (6) The Prime Minister is to give the authorization set forth in the preceding paragraph only if all of the following requirements are satisfied:
- (i) A company that is to become an issuer of acquired Shares, etc. held by the Corporation after the Corporate Reorganization is the Issuing Financial Institution, etc. or another Bank Holding Company, etc. (including those that will be newly established) having as its subsidiary the Subject Subsidiary Company, etc. pertaining to said Issuing Financial Institution, etc.;
  - (ii) The business management by the Issuing Financial Institution, etc. (including another Bank Holding Company, etc. prescribed in the preceding item) of the Subject Financial Institution, etc. pertaining to said Issuing Financial Institution, etc. is not hindered as a result of the Corporate Reorganization;
  - (iii) There will be no difficulty in disposing of the acquired Shares, etc. following the Corporate Reorganization; and
  - (iv) Other requirements specified by a Cabinet Order.
- (7) In the event that the Issuing Financial Institution, etc. other than the Subject Financial Institution or the Issuing Bank Holding Company, etc. after Corporate Reorganization has conducted Corporate Reorganization following the authorization set forth in paragraph (5), if there is another Bank Holding Company, etc. prescribed in item (i) of the preceding paragraph, said Issuing Financial Institution, etc. or the Subject Subsidiary Company, etc. pertaining

to the Issuing Bank Holding Company, etc. after Corporate Reorganization shall submit to the Prime Minister, in joint names with said another Bank Holding Company, etc., a new management soundness improvement plan to replace the management soundness improvement plan that has been implemented (meaning the management soundness improvement plan prescribed in paragraph (4)), stating, in addition to the measures stated in said management soundness improvement plan (excluding the part pertaining to the management system of the Bank Holding Company, etc. in joint names with whom said management soundness improvement plan was submitted), measures to establish a responsible management system in said another Bank Holding Company, etc., and other measures specified by a Cabinet Order.

- (8) The provisions of Article 108, paragraph (1) apply mutatis mutandis to the management soundness improvement plans submitted to the Prime Minister under paragraph (3) (including the cases where it is applied mutatis mutandis pursuant to paragraph (4)) or the preceding paragraph, the provisions of Article 108, paragraph (2) apply mutatis mutandis to the Financial Institution (including the Bank Holding Company, etc. in joint names with whom these management soundness improvement plans have been submitted) that has submitted these management soundness improvement plans, and the provisions of Article 108-2 apply mutatis mutandis to a Succeeding Financial Institution that is an issuer of acquired Shares, etc. actually held by the Corporation or the Issuing Bank Holding Company, etc. after Corporate Reorganization. In this case, the terms "a Financial Institution that is a subsidiary company of said Bank Holding Company, etc. with respect to which the Corporation has executed the Subscription for Shares, etc. in accordance with a decision under Article 105, paragraph (4), or the Subject Subsidiary Company (including the succeeding subsidiary company prescribed in paragraph (4) of the following Article)" and "the plan submitted under Article 105, paragraph (3), this paragraph, or paragraph (3) of the following Article as applied mutatis mutandis pursuant to the provisions of paragraph (4) of the following Article" in Article 108-2, paragraph (3) are to be deemed to be replaced with "the Subject Subsidiary Company, etc.," and "the plan submitted under Article 108-3, paragraph (3) (including the cases where it is applied mutatis mutandis pursuant to Article 108-3, paragraph (4)), Article 108-3, paragraph (7), or Article 108-2, paragraph (3) as applied mutatis mutandis pursuant to Article 108-3, paragraph (8)" respectively.

(Disposition of Acquired Shares, etc. or Acquired Loan Claims)

- Article 109 (1) The Corporation shall, if it intends to transfer or make any other disposition of acquired Shares, etc. or acquired loan claims, obtain approval from the Prime Minister and the Minister of Finance (in the event that an

issuer of said acquired Shares, etc. or obligor of acquired loan claims is a labor bank or The Rokinren Bank, from the Prime Minister, the Minister of Finance, and the Minister of Health, Labour and Welfare, and in the event that an issuer of said acquired Shares, etc. or obligor of acquired loan claims is The Shoko Chukin Bank, Ltd., from the Prime Minister, the Minister of Finance, and the Minister of Economy, Trade and Industry; the same applies in the following paragraph).

- (2) Upon making a disposition prescribed in the preceding paragraph, the Corporation shall promptly report the details thereof to the Prime Minister and the Minister of Finance.

(Special Provisions for Disposition Ordering Management and Financial Assistance)

Article 110 (1) When Confirmation pertaining to the Measures Under Item (ii) is given under Article 102, paragraph (1) or Article 104, paragraph (8) (including the cases where it is applied mutatis mutandis pursuant to Article 105, paragraph (8) and Article 106, paragraph (5)), the Prime Minister is to, notwithstanding the provisions of Article 74, paragraph (1) and (2), immediately issue a Disposition Ordering Management with respect to the Financial Institution subject to said Confirmation.

- (2) For the purpose of applying this Act in the event that a Disposition Ordering Management is issued under the preceding paragraph, the Financial Institution (excluding the Failed Financial Institution) subject to said Disposition Ordering Management is deemed to be the Failed Financial Institution.

- (3) The provisions of Article 64, paragraph (2) do not apply to cases where a resolution by the Operation Committee prescribed in Article 64, paragraph (1) is to be adopted with respect to the Financial Assistance for a merger, etc. in which a Financial Institution that is subject to a Disposition Ordering Management under paragraph (1) is deemed to be the Failed Financial Institution. In this case, the Operation Committee may, if it finds, in light of the financial conditions of said Financial Institution, that the Financial Assistance does not exceed the scope necessary to carry out said merger, etc., adopt a resolution to provide Financial Assistance.

(Decision on Acquisition of Shares of a Bank Under Special Crisis Management)

Article 111 (1) The Prime Minister is to, at the time of granting the Confirmation pertaining to the Measures Under Item (iii), decide that the Corporation will acquire shares of the Bank, etc. subject to the Confirmation (referred to as "Decision on Commencement of Special Crisis Management" in

the following paragraph).

- (2) Upon making the Decision on Commencement of Special Crisis Management, the Prime Minister shall notify the Corporation and the Bank, etc. subject to said Decision on Commencement of Special Crisis Management (hereinafter referred to as "Bank Under Special Crisis Management") to that effect and give public notice thereof in the official gazette.

(Acquisition of Shares, etc.)

Article 112 (1) When public notice is given under paragraph (2) of the preceding Article, the shares of the Bank Under Special Crisis Management will be acquired by the Corporation at the time of said public notice (hereinafter referred to as "Time of Public Notice" in this Chapter).

- (2) Share certificates for the shares acquired by the Corporation under the preceding paragraph become invalid at the Time of Public Notice.
- (3) The provisions of the main clause of Article 128, paragraph (1) and Article 130, paragraph (1) of the Companies Act do not apply to the acquisition of shares under paragraph (1).
- (4) Any pledge and other security interest in the shares acquired by the Corporation under paragraph (1) will be extinguished at the Time of Public Notice.
- (5) When the articles of incorporation of the Bank Under Special Crisis Management has provisions prescribed in Article 108, paragraph (2) of the Companies Act (limited to the part pertaining to item (ix)), said provisions are deemed to be abolished at the Time of Public Notice.

(Publication of Finances of Bank Under Special Crisis Management)

Article 113 Upon giving public notice under Article 111, paragraph (2), the Prime Minister is to make public the conditions of assets and liabilities of the Bank Under Special Crisis Management as of the Time of Public Notice pursuant to the provisions of a Cabinet Office Ordinance and an Ordinance of the Ministry of Finance.

(Special Provisions for Appointment and Dismissal of Officers of Bank Under Special Crisis Management, etc.)

Article 114 (1) Notwithstanding the provisions of Article 329, paragraph (1) and Article 402, paragraph (2) of the Companies Act, the Corporation may, based on the designation of the Prime Minister, appoint a director, executive officer, accounting advisor, corporate auditor and accounting auditor of the Bank Under Special Crisis Management. In this case, documents evidencing such designation and appointment shall be attached to a written application for a registration of change of director, executive officer, accounting advisor,



corporate auditor or accounting auditor of the Bank Under Special Crisis Management.

(2) Notwithstanding the provisions of Article 339, paragraph (1) and Article 403, paragraph (1) of the Companies Act, the Corporation may, with approval from the Prime Minister, dismiss a director, executive officer, accounting advisor, corporate auditor or accounting auditor of the Bank Under Special Crisis Management.

(3) When an appointment under paragraph (1) or dismissal under the preceding paragraph is made, it is to be deemed that there has been a resolution by shareholders meeting prescribed in Article 329, paragraph (1) or Article 339, paragraph (1) of the Companies Act or resolution by the board of directors prescribed in Article 402, paragraph (2) or Article 403, paragraph (1) of said Act.

(Submission of Reports or Materials, etc.)

Article 115 The Prime Minister may, if he/she finds it necessary, request the Bank Under Special Crisis Management and a Financial Institution agent having said Bank Under Special Crisis Management as its principal Financial Institution to submit reports or materials concerning the status of business and property, etc. or order the preparation and submission of a management plan and other necessary measures.

(Measures for Ascertaining Liability of Management, etc. for Failure of a Bank Under Special Crisis Management)

Article 116 (1) The Bank Under Special Crisis Management shall, in order to have its director, executive officer, accounting advisor, corporate auditor or accounting auditor or a person who previously held any of these positions perform civil liability based on a breach of obligations in the course of duties, file an action or take other necessary measures.

(2) A director, executive officer, accounting advisor, corporate auditor and accounting auditor of the Bank Under Special Crisis Management shall, when by carrying out his/her duty he/she considers that an offense has been committed, he/she shall take necessary measures toward filing an accusation.

(Special Provisions for Procedures for Protection of Creditors)

Article 117 The provisions of Article 89 apply mutatis mutandis to cases where the Bank Under Special Crisis Management has adopted a resolution for reduction in the amount of stated capital.

(Special Provisions for Financial Assistance Pertaining to a Bank Under Special Crisis Management)

- Article 118 (1) An Assuming Financial Institution or Assuming Bank Holding Company, etc. undertaking a merger, etc. (limited to those specified in Article 59, paragraph (2), items (i), (ii) and (iv); the same applies in paragraph (5)) in which the Bank Under Special Crisis Management is the Failed Financial Institution may, notwithstanding the provisions of Article 59, paragraph (1), apply for the Corporation, in joint names with said Bank Under Special Crisis Management, to provide Financial Assistance (limited to those specified in Article 59, paragraph (1), item (i); the same applies in paragraphs (3) to (5)) to said Bank Under Special Crisis Management.
- (2) The provisions of Article 59, paragraphs (6) and (7) and Article 61, paragraph (1) apply mutatis mutandis to an application under the preceding paragraph and the provisions of Article 61, paragraphs (2), (3) and (6) to (8) apply mutatis mutandis to the Confirmation prescribed in Article 61, paragraph (1) as applied mutatis mutandis pursuant to this paragraph. In this case, the term "Failed Financial Institution" in Article 61, paragraphs (1) to (3) and (8) is to be deemed to be replaced with "Bank Under Special Crisis Management," and any other necessary technical replacement of terms will be specified by a Cabinet Order.
- (3) Even in cases where no application is made under Article 61, paragraph (2) as applied mutatis mutandis pursuant to the preceding paragraph, the Prime Minister may, if he/she finds that the Bank Under Special Crisis Management satisfies the requirements specified in Article 61, paragraph (3), item (iii) as applied mutatis mutandis pursuant to the preceding paragraph, provide mediation in writing with regard to a merger, etc. (limited to those specified in Article 59, paragraph (2), items (i) and (iv) and those that contribute to the protection of the Depositors, etc. and other creditors and for which the Financial Assistance by the Corporation is indispensable) between said Bank Under Special Crisis Management and another Financial Institution or said Bank Under Special Crisis Management and Bank Holding Company, etc.
- (4) The provisions of Article 62, paragraphs (2) and (4) to (6) apply mutatis mutandis to the mediation prescribed in the preceding paragraph, the provisions of Article 64 (excluding paragraphs (2) and (5)) apply mutatis mutandis to the application prescribed in paragraph (1), the provisions of Article 65 and Article 66 apply mutatis mutandis to the Financial Institution or Bank Holding Company, etc. that has received the Confirmation prescribed in Article 61, paragraph (1) as applied mutatis mutandis pursuant to paragraph (2) or that has received the mediation prescribed in the preceding paragraph, and the provisions of Article 68 apply mutatis mutandis to the Financial Assistance prescribed in paragraph (1). In this case, the term "Article 59, paragraph (1) or Article 59-2, paragraph (1)" in Article 62, paragraph (2) is to be deemed to be replaced with "Article 118, paragraph (1),"

the term "paragraph (1)" in Article 62, paragraphs (4) to (6) is to be deemed to be replaced with "Article 118, paragraph (3)," the term "paragraphs (4) to (7)" in Article 62, paragraph (4) is to be deemed to be replaced with "paragraphs (6) and (7)," and any other necessary technical replacement of terms will be specified by a Cabinet Order.

- (5) In the event that a resolution by the Operation Committee prescribed in Article 64, paragraph (1) as applied *mutatis mutandis* pursuant to the preceding paragraph is to be adopted with respect to the Financial Assistance prescribed in paragraph (1), the Operation Committee may, if it finds that, in light of the financial conditions of the Bank Under Special Crisis Management, the Financial Assistance does not exceed the scope necessary to carry out said merger, etc., adopt a resolution to provide Financial Assistance.

Article 119 The provisions of Article 110, paragraph (3) apply *mutatis mutandis* to the Financial Assistance pertaining to an application under Article 59, paragraph (1) for a merger, etc. in which the Bank Under Special Crisis Management is the Failed Financial Institution.

(Conclusion of Measures Under Item (iii))

- Article 120 (1) The Prime Minister is to conclude the Measures Under Item (iii) as promptly as possible by causing the Corporation or Bank Under Special Crisis Management to take the following measures:
- (i) A merger in which a Financial Institution that merges with the Bank Under Special Crisis Management survives (limited to those in which a corporation surviving after the merger is not a subsidiary of the Corporation);
  - (ii) A merger in which a Financial Institution is established through the merger of the Bank Under Special Crisis Management and another Financial Institution (limited to those in which a corporation established by the merger is not a subsidiary of the Corporation);
  - (iii) A transfer of business of the Bank Under Special Crisis Management; and
  - (iv) The transfer of shares of the Bank Under Special Crisis Management (limited to those through which the Bank Under Special Crisis Management ceases to be a subsidiary company of the Corporation).
- (2) The Bank Under Special Crisis Management shall, if it intends to take the measures specified in items (i) to (iii) of the preceding paragraph, report to that effect to the Prime Minister and shall also notify the Corporation thereof.
- (3) Upon receiving notice under the preceding paragraph, the Corporation shall immediately report to that effect to the Minister of Finance.
- (4) Upon taking the measures specified in paragraph (1), item (iv), the Corporation shall promptly report to that effect to the Prime Minister and the Minister of Finance.

(Crisis Management Account)

Article 121 (1) When Financial Assistance is provided pursuant to a resolution under Article 110, paragraph (3) (including the cases where it is applied *mutatis mutandis* pursuant to Article 119) or Article 118, paragraph (5), the Corporation is to transfer from an account (hereinafter referred to as "Crisis Management Account") pertaining to operations specified in Article 40-2, item (ii) (hereinafter referred to as "Crisis Management Operations") to a general account the amount remaining after deducting expected costs for the payment of insurance proceeds with respect to an insurable contingency of the Financial Institution pertaining to said Financial Assistance from the expected costs of said Financial Assistance.

(2) Any transfer from the Crisis Management Account to the general account under the preceding paragraph is deemed to be the Crisis Management Operations.

(Payment of Contributions, etc.)

Article 122 (1) When public notice is given under paragraph (4) of the following Article (including the cases where it is applied *mutatis mutandis* pursuant to Article 124, paragraph (3)), a Financial Institution shall, during the period specified in said public notice, pay contributions to the Corporation to cover the costs incurred in carrying out the Crisis Management Operations.

(2) When public notice is given under the preceding paragraph, a Financial Institution is to submit documents specified by a Cabinet Office Ordinance and an Ordinance of the Ministry of Finance and pay contributions to the Corporation by the last day of each business year included in the period specified in said public notice.

(3) The amount of contributions prescribed in paragraph (1) is to be calculated for each Financial Institution by dividing by twelve the total amount of its liabilities outstanding on the last day of the business year immediately preceding the business year that includes the due date for payment of said contributions (excluding those specified by a Cabinet Office Ordinance and an Ordinance of the Ministry of Finance), multiplying the resulting amount by the number of months in the business year that includes the due date for payment of said contributions, and multiplying the resulting amount by the contribution rate specified under paragraph (2) of the following Article.

(4) The provisions of Article 50, paragraph (2) and Article 52 apply *mutatis mutandis* to the contributions prescribed in paragraph (1).

(Decision on Contributions)

Article 123 (1) Within three months of the end of each business year, the

Corporation shall report the following matters to the Prime Minister and the Minister of Finance with regard to income and expenditure in the Crisis Management Account during said business year:

- (i) The amount transferred from the Crisis Management Account to the general account under Article 121, paragraph (1);
  - (ii) The amount of loss arising from the transfer of acquired Shares, etc. or acquired loan claims below their acquisition value or other causes;
  - (iii) The amount of profit arising from the transfer of acquired Shares, etc. or acquired loan claims above their acquisition value and other reasons;
  - (iv) The amount of contributions that has been received; and
  - (v) Other matters specified by a Cabinet Order.
- (2) In the event that a report prescribed in the preceding paragraph is received, the Prime Minister and the Minister of Finance are to, if they find it necessary, prescribe a contribution rate and payment period for contributions to be paid by a Financial Institution under paragraph (1) of the preceding Article (hereinafter referred to as "Contributions") in each business year following the business year that includes the time of receipt of said report (hereinafter referred to as "Time of Report" in this paragraph); provided, however, that in any business year preceding the business year in which the Time of Report falls, when a contribution rate and payment period for the Contributions in each business year after the business year in which the Time of Report falls are prescribed, the contribution rate and payment period after the business year in which said Time of Report falls are to be prescribed by changing said contribution rate and payment period.
- (3) The contribution rate and payment period shall be established by taking the following matters into consideration and in a manner that covers loss in the Crisis Management Account with the Contributions and does not subject any specific Financial Institution to discriminatory treatment.
- (i) Matters specified in each item of paragraph (1) in the business year pertaining to said report prescribed in paragraph (1); and
  - (ii) The financial conditions of a Financial Institution.
- (4) Upon prescribing a contribution rate and payment period under paragraph (2), the Prime Minister and the Minister of Finance shall give public notice thereof in the official gazette.
- (5) The Prime Minister and the Minister of Finance may, if they find it necessary, request the Corporation to state its opinion or submit reports or materials in order to prescribe the contribution rate and payment period under paragraph (2).

(Change of Contribution Rate, etc.)

Article 124 (1) When it becomes evident that there will be an excess or deficiency

in the Contributions due to fluctuations in interest on the borrowings of the Corporation, government subsidies prescribed in paragraph (1) of the following Article, or other causes (excluding those pertaining to the matters specified in each item of paragraph (1) of the preceding Article), the Corporation shall report to that effect to the Prime Minister and the Minister of Finance.

(2) The Prime Minister and the Minister of Finance may change a contribution rate and payment period prescribed under paragraph (2) of the preceding Article to the extent necessary to make adjustments for any excess or deficiency in the Contributions pertaining to the report prescribed in the preceding paragraph.

(3) The provisions of paragraphs (4) and (5) of the preceding Article apply mutatis mutandis to cases where the Prime Minister and the Minister of Finance change a contribution rate and payment period under the preceding paragraph.

(Government Subsidies)

Article 125 (1) The government may provide subsidies to the Corporation for part of the costs required for the Crisis Management Operations within the limit specified in a budget, only if it is found that, if the costs of such operations are to be funded solely with the Contributions, the financial conditions of a Financial Institution would deteriorate significantly and it may cause an extremely serious hindrance to the maintenance of an orderly credit system in Japan.

(2) In any business year in which no Contributions are paid (limited to the business year following the business year that includes the day on which a government subsidy is received under the preceding paragraph), if there is any amount calculated as profit in the Crisis Management Account resulting from the settlement of profits and losses pursuant to the provisions of a Cabinet Office Ordinance and an Ordinance of the Ministry of Finance, the Corporation shall pay said amount to the national treasury after deducting the amount already paid to the national treasury under this paragraph from the total amount of government subsidies already received under the preceding paragraph.

(3) Procedures for payment and other necessary matters concerning the amount prescribed in the preceding paragraph will be specified by a Cabinet Order.

(Borrowing and Corporation Bonds, etc.)

Article 126 (1) The Corporation may, if it finds it necessary for carrying out the Crisis Management Operations, borrow funds (including refinancing) from the Bank of Japan, a Financial Institution, or any other person or issue the Corporation Bonds (including issuance for the purpose of refinancing the

Corporation Bonds) up to the amount specified by a Cabinet Order with authorization from the Prime Minister and the Minister of Finance.

(2) The provisions of Article 42, paragraph (4) and Article 42-2 apply mutatis mutandis to cases where the Corporation borrows funds or issues the Corporation Bonds under the preceding paragraph.

(3) The Corporation Bonds to be issued under paragraph (1) are deemed to be the Corporation Bonds issued under Article 42, paragraph (1) for the purpose of applying the provisions of Article 42, paragraphs (5) to (9).

## **Chapter VIII Miscellaneous Provisions**

(Loan of Funds for Repayment of Deposits, etc.)

Article 127 The provisions of Article 69-3 apply mutatis mutandis to cases where an application is received from a person specified in each item of Article 69-3, paragraph (1) for the loan of funds necessary for the repayment of the covered Deposits, etc. (limited to the repayment for the covered Deposits, etc. corresponding to the amount of insurance proceeds calculated under the Insurance Claim Calculation Provision). In this case, the term "pertaining to said Settlement Obligations calculated under Article 54-2, paragraph (1) and Article 54, paragraph (3) as applied mutatis mutandis pursuant to Article 54-2, paragraph (2)" in Article 69-3, paragraph (1) is to be deemed to be replaced with "pertaining to said covered Deposits, etc calculated under the Insurance Claim Calculation Provision."

(Special Provisions of Commercial Code Concerning Repayment of Deposits, etc.)

Article 127-2 The provisions of Article 69-4, paragraphs (3) to (5) apply mutatis mutandis to cases where a decision has been made to make the loan of funds under Article 69-3, paragraph (1) as applied mutatis mutandis pursuant to the preceding Article. In this case, the term "the repayment of the Settlement Obligations prescribed in paragraph (1) of the preceding Article" in Article 69-4, paragraph (3) is to be deemed to be replaced with "the repayment of the Deposits, etc. prescribed in paragraph (1) of the preceding Article as applied mutatis mutandis pursuant to Article 127," the terms "the types of the Settlement Obligations to be repaid", "repayment" and "repaid" in Article 69-4, paragraphs (4) and (5) are to be deemed to be replaced with "the types of the Deposits, etc. to be returned," "return" and "returned", respectively.

(Loan of Funds to Prevent Decline in Asset Value)

Article 128 The provisions of Article 69-3 (excluding paragraphs (3) and (4)) apply mutatis mutandis to cases where an application is received from a person

specified in each item of Article 69-3, paragraph (1) (in the case of any person specified in Article 69-3, paragraph (1), item (i), limited to the time after a petition is filed for the commencement of bankruptcy proceedings, commencement of reorganization proceedings or commencement of rehabilitation proceedings or after an order for commencement of special liquidation is issued) for the loan of funds necessary to prevent a decline in the value of loan claims or other assets held by such person. In this case, the term "up to the total amount of insurance proceeds pertaining to said Settlement Obligations calculated under Article 54-2, paragraph (1) and Article 54, paragraph (3) as applied mutatis mutandis pursuant to Article 54-2, paragraph (2)" in Article 69-3, paragraph (1) is to be deemed to be replaced with "within the limit necessary."

(Purchase of Assets)

Article 129 (1) In addition to cases prescribed in Section 4 of Chapter III, the Corporation may purchase assets held by a Contracted Bridge Bank or Bank Under Special Crisis Management.

(2) In cases where the Corporation is to purchase assets under the preceding paragraph, it shall comply with standards prescribed and publicly announced in advance by the Prime Minister and the Minister of Finance.

(3) Upon receiving an application under paragraph (1) for the purchase of assets from a Contracted Bridge Bank or Bank Under Special Crisis Management, the Corporation shall, following a resolution of the Operation Committee, decide without delay whether or not to carry out the purchase of assets pertaining to said application.

(4) Upon making a decision under the preceding paragraph, the Corporation shall immediately report matters pertaining to the decision to the Prime Minister and the Minister of Finance.

(5) Upon making a decision to purchase assets under paragraph (3), the Corporation is to conclude a contract for the purchase of assets with said Contracted Bridge Bank or Bank Under Special Crisis Management.

(Special Provisions for Convocation Procedure for General Meeting of Shinkin Bank, etc.)

Article 130 (1) Notwithstanding the provisions of Article 45 of the Shinkin Bank Act, Article 49 of the Small and Medium-Sized Enterprises Cooperatives Act, and Article 49 of the Labor Bank Act, a general meeting of a Shinkin Bank, etc. that has received the Authorization of Eligibility, etc. may be held without the procedures of calling if all members (in the case of a labor bank, excluding individual members prescribed in Article 13, paragraph (1) of the Labor Bank Act) or all association members consent, for the purpose of adopting a



resolution to approve a Business Transfer, etc. and any amendment to the articles of incorporation necessary to carry out the Business Transfer, etc.

- (2) The provisions of the preceding paragraph apply mutatis mutandis to a general meeting of representatives for the purpose of adopting a resolution to approve the matters prescribed in the preceding paragraph. In this case, the terms "all members (in the case of a labor bank, excluding individual members prescribed in Article 13, paragraph (1) of the Labor Bank Act) or all association members" and "Article 45 of the Shinkin Bank Act, Article 49 of the Small and Medium-Sized Enterprises Cooperatives Act, and Article 49 of the Labor Bank Act" in said paragraph are to be deemed to be replaced with "all representatives" and "Article 45 of the Shinkin Bank Act as applied mutatis mutandis pursuant to Article 49, paragraph (5) of said Act, Article 49 of the Small and Medium-Sized Enterprises Cooperatives Act as applied mutatis mutandis pursuant to Article 55, paragraph (6) of said Act, and Article 49 of the Labor Bank Act as applied mutatis mutandis pursuant to Article 55, paragraph (5) of said Act", respectively.

(Special Provisions for Procedures for Protection of Creditors in Business Transfer, etc.)

- Article 131 (1) When a decision to provide Financial Assistance is made under Article 64, paragraph (1) for the purpose of supporting a Business Transfer, etc. or a Transfer of Insured Deposits prescribed in Article 59, paragraph (2), item (iii), the assumption of obligations pertaining to said Business Transfer, etc. or the Transfer of Insured Deposits may be carried out without consent from creditors pertaining to obligations assumed by the Assuming Financial Institution through said Business Transfer, etc. or the Transfer of Insured Deposits (referred to as "Transfer Creditors" in paragraph (5)).
- (2) The provisions of Article 34 and Article 35 of the Banking Act (including the cases where these provisions are applied mutatis mutandis pursuant to Article 17 of the Long-Term Credit Bank Act, Article 89, paragraph (1) of the Shinkin Bank Act, Article 6, paragraph (1) of the Act on Financial Business by Cooperatives, and Article 94, paragraph (1) of the Labor Bank Act) do not apply to the Business Transfer, etc. pertaining to a decision under the preceding paragraph.
- (3) Upon executing the Business Transfer, etc. or the Transfer of Insured Deposits pertaining to a decision under paragraph (1), the Failed Financial Institution and Assuming Financial Institution shall, within two weeks of the day of said execution, give public notice of the gist of the contents of said Business Transfer, etc. or the Transfer of Insured Deposits and to the effect that any creditors who have any objection thereto should state the objection within a specified period of time, and shall also give notice of the same

individually to each known creditor other than the Depositors, etc. and other creditors specified by a Cabinet Order.

- (4) The period under the preceding paragraph cannot be less than one month.
- (5) Notwithstanding the provisions of paragraph (3), if a Failed Financial Institution and Assuming Financial Institution give public notice under that paragraph by the method of public notice prescribed in the articles of incorporation, in addition to the official gazette, the Failed Financial Institution and Assuming Financial Institution will not be required to give separate notices under the provisions of that paragraph.
- (6) In the event that the Transfer Creditors state objections within the period under paragraph (3), the assumption of obligations pertaining to said Transfer Creditors will lose its effect retroactively as of the time of said assumption of obligations; provided, however, that this does not prejudice the rights of a third party.
- (7) In the event that creditors of a Failed Financial Institution (limited to creditors pertaining to the obligations of the Failed Financial Institution other than those assumed by the Assuming Financial Institution through the Business Transfer, etc. or the Transfer of Insured Deposits prescribed in paragraph (1)) state objections within the period under paragraph (3), when any amount is owed to creditors with respect to their claims that can no longer be satisfied due to the Business Transfer, etc. or the Transfer of Insured Deposits prescribed in paragraph (1), said creditors may claim the payment of said amount from the Assuming Financial Institution.
- (8) In the event that creditors of an Assuming Financial Institution (limited to creditors pertaining to the obligations of the Assuming Financial Institution other than those assumed by the Assuming Financial Institution through the Business Transfer, etc. or the Transfer of Insured Deposits prescribed in paragraph (1)) state objections within the period under paragraph (3), the Assuming Financial Institution shall make payment or provide equivalent security to such creditors or entrust equivalent assets to a trust company or Financial Institutions that conducts trust business for the purpose of ensuring that such creditors receive the payment; provided, however, that this does not apply when said Business Transfer, etc. or the Transfer of Insured Deposits is unlikely to be detrimental to such creditors.

(Special Provisions for Procedure for Change of Trustees in Succession of Trust Business)

Article 132 (1) Notwithstanding the provisions of Article 56, paragraph (1) and Article 57, paragraph (1) and paragraph (2) of the Trust Act (Act No. 108 of 2006) and Article 7 of the Act on Charitable Trusts (Act No. 62 of 1922), when there is a decision to provide Financial Assistance under Article 64, paragraph

- (1) to support the transfer of business of a Failed Financial Institution that conducts trust business under Article 1, paragraph (1) of the Act on Provision, etc. of Trust Business by Financial Institutions to a Financial Institution that conducts trust business under Article 1, paragraph (1) of said Act, said Failed Financial Institution may, under a contract for the transfer of business with an Assuming Financial Institution pertaining to said Financial Assistance (hereinafter referred to as "New Trustee" in this Article and the following Article), effect a change of trustee for trusts that have been assumed.
- (2) When a change of trustee is effected under the preceding paragraph, the New Trustee (excluding the New Trustee of the special purpose trust (meaning those prescribed in Article 2, paragraph (13) of the Act on Securitization of Assets (Act No. 105 of 1998); the same applies in the following Article); hereinafter the same applies in this Article) shall immediately give public notice to the effect that any consignors of a trust subject to said change (hereinafter referred to as "Transfer Consignors" in this Article) or beneficiaries (hereinafter referred to as "Transfer Beneficiaries" in this Article) who have any objection thereto should state the objection within a specified period of time, and shall also give notice of the same individually to all known Transfer Consignors and Transfer Beneficiaries other than those pertaining to loan trusts and other trusts specified by a Cabinet Order as trust pertaining to standard trust contracts (referred to as "Standard Trusts" in paragraph (5)).
- (3) The period under the preceding paragraph cannot be less than one month.
- (4) Notwithstanding the provisions of paragraph (2), if the New Trustee gives public notice under that paragraph by the method of public notice prescribed in the articles of incorporation, in addition to the official gazette, the New Trustee will not be required to give separate notices under the provisions of that paragraph.
- (5) The Transfer Beneficiaries of loan trusts, etc. (meaning the Standard Trusts specified by a Cabinet Order as those to which consignors are entitled to all profits derived therefrom) who have raised objections within the period under paragraph (2) may demand that the New Trustee purchase the beneficiary rights of said Transfer Beneficiaries at a fair price to which they would have been entitled if the change prescribed in paragraph (1) had not occurred.
- (6) If a demand is made under the preceding paragraph, the New Trustee shall purchase beneficiary rights subject to said demand with the New Trustee's own assets. In this case, Article 11 of the Loan Trust Act (Act No. 195 of 1952) does not apply.
- (7) The provisions of Article 75, paragraph (1), Article 76 and Article 77 of the Trust Act apply mutatis mutandis to cases where the change prescribed in paragraph (1) is made, and the provisions of Article 103, paragraph (6) and (7), Article 104, paragraphs (1) to (10), Article 262, paragraph (1) and (2), Article

263, and Article 264 of said Act apply mutatis mutandis to the purchase demand of own beneficiary rights under paragraph (5). In this case, any necessary technical replacement of terms will be specified by a Cabinet Order.

Article 132-2 (1) In the event that a change is made under paragraph (1) of the preceding Article with respect to a Failed Financial Institution that is a trustee of a special purpose trust, the New Trustee shall convene a meeting of rightholders (meaning the meeting of rightholders prescribed in Subsection 1 of Section 3 of Chapter III of Part III of the Act on Securitization of Assets; the same applies in the following paragraph) without delay and seek approval for said change. In this case, the provisions of Article 244, paragraph (3) of said Act do not apply.

(2) When a meeting of rightholders rejects a proposal for the approval prescribed in the preceding paragraph, the duties of the New Trustee pertaining to said special purpose trust will end.

(3) The provisions of the main clause of Article 59, paragraph (4) of the Trust Act apply mutatis mutandis to the New Trustee whose duties have ended pursuant to the preceding paragraph.

(4) The provisions of Article 75, paragraph (1), Article 76 and Article 77 of the Trust Act apply mutatis mutandis to cases where a change is made under paragraph (1) of the preceding Article with respect to a Failed Financial Institution that is a trustee of a special purpose trust.

(Special Provisions for Assignment of Revolving Mortgage)

Article 133 (1) When a Financial Institution under Management intends to assign a revolving mortgage together with all of the claims it should secure before the principal is established, through the transfer of business to a Bridge Bank or another Financial Institution (hereinafter referred to as the "Succeeding Financial Institution" in this Article), said Financial Institution under Management and the Succeeding Financial Institution may give public notice to the effect that any revolving mortgagors who have any objection to the following matters should state the objection to said Financial Institution under Management within a specified period of time, or may give individual notice of the same:

(i) The fact that said revolving mortgage is to be assigned by said Financial Institution under Management to said Succeeding Financial Institution and the date thereof.

(ii) The fact that said claims are to continue to be secured by said revolving mortgage even after it is assigned.

(2) The period under the preceding paragraph cannot be less than two weeks.

(3) Notwithstanding the provisions of paragraph (1), if a Financial Institution

under Management and the Succeeding Financial Institution give public notice under that paragraph by the method of public notice prescribed in the articles of incorporation, in addition to the official gazette, said Financial Institution under Management and Succeeding Financial Institution will not be required to give separate notices under the provisions of that paragraph.

- (4) When a revolving mortgagor pertaining to the public notice or notice under paragraph (1) does not raise any objections with respect to the matters prescribed in each item of that paragraph within the period under that paragraph, it is deemed that the revolving mortgagor has consented to the matters specified in item (i) of paragraph (1) and that there has been an agreement on the matters specified in item (ii) of paragraph (1) between the revolving mortgagors and the Succeeding Financial Institution pertaining to the public notice or notice prescribed in paragraph (1).
- (5) When the revolving mortgagor has stated its objection to part of the matters specified in each item of paragraph (1), it is deemed that it has stated objections to all of the matters specified in such item.
- (6) The provisions of all preceding paragraphs apply mutatis mutandis to cases where a Bridge Bank or Bank Under Special Crisis Management seeks to assign the revolving mortgage together with all of the claims to be secured thereby, before the principal is established through the transfer of business to another Financial Institution.

(Special Provisions for Application Procedure for Registration of Revolving Mortgage Transfer, etc.)

Article 134 (1) An application for registration of a transfer of a revolving mortgage in the cases prescribed in paragraph (4) of the preceding Article (including the cases where it is applied mutatis mutandis pursuant to Article 133, paragraph (6)) shall be accompanied by information proving that public notice or individual notice was given and that the revolving mortgagors did not raise any objection within the period under paragraph (1) of the preceding Article (including the cases where it is applied mutatis mutandis pursuant to Article 133, paragraph (6)).

- (2) An application for the registration of transfer of a revolving mortgage to the effect of adding claims pertaining to transfer to the scope of claims to be secured by the revolving mortgage in the cases prescribed in paragraph (4) of the preceding Article (including the cases where it is applied mutatis mutandis pursuant to Article 133, paragraph (6)) may be made by the revolving mortgagee alone when the application is accompanied by the information prescribed in the preceding paragraph.

(Special Provisions for Taxation)

Article 135 (1) The registration under Article 79 is not subject to the registration and license tax.

(2) In the event that a Bridge Bank has acquired any right relating to real property through the Assumption of Business, etc. of a Financial Institution under Management based on a decision specified in Article 91, paragraph (1), item (ii) under Article 91, paragraph (1) or (2) (referred to as "Assumption of Business, etc. Based on Decision" in the following paragraph) (limited to those that have been confirmed as appropriate assets to be held by said Bridge Bank under Article 93, paragraph (2)), the registration of said right relating to real property transfer is not subject to the registration and license tax, as long as such registration is made within one year from said acquisition as pursuant to the provisions of an Ordinance of the Ministry of Finance.

(3) For the purpose of applying to a Bridge Bank, the provisions of Article 62-3, Article 63, Article 68-68, and Article 68-69 of the Act on Special Measures Concerning Taxation, the transfer of land or any right on land acquired through the Assumption of Business, etc. Based on Decision (limited to those that have been confirmed as appropriate assets to be held by said Bridge Bank under Article 93, paragraph (2)) (meaning the transfer prescribed in Article 62-3, paragraph (2), item (i), (a) of said Act) do not constitute the transfer of land, etc. under Article 62-3, paragraph (2), item (i) of said Act.

(Submission of Reports or Materials)

Article 136 (1) The Prime Minister (in the case of a labor bank or The Rokinren Bank, the Prime Minister and the Minister of Health, Labour and Welfare, and in the case of The Shoko Chukin Bank, Ltd., the Prime Minister, the Minister of Finance, and the Minister of Economy, Trade and Industry; the same applies in the following paragraph and the following Article) may, if he/she finds it necessary to ensure the smooth implementation of this Act, require a Financial Institution (including a Financial Institution agent) or Bank Holding Company, etc. to report or submit material with regard to the status of its business and property.

(2) The Prime Minister may, when and to the extent that he/she finds it particularly necessary to ensure the smooth implementation of this Act, require a subsidiary company of the Financial Institution or Bank Holding Company, etc. (hereinafter referred to as "Financial Institution, etc." in this Article and the following Article) (meaning a subsidiary company prescribed, respectively, in Article 2, paragraph (8) of the Banking Act in the event that the Financial Institution, etc. is a bank or bank holding company (meaning a bank holding company prescribed in Article 2, paragraph (5), item (i)), in Article 13-2, paragraph (2) of the Long-Term Credit Bank Act in the event that the Financial Institution, etc. is a Long-Term Credit Bank or Long-Term Credit

Bank holding company (meaning a Long-Term Credit Bank holding company prescribed in Article 2, paragraph (5), item (iii)), in Article 32, paragraph (6) of the Shinkin Bank Act in the event that the Financial Institution, etc. is a Shinkin Bank or Federation of Shinkin Bank, in Article 4, paragraph (1) of the Act on Financial Business by Cooperatives in the event that the Financial Institution, etc. is a credit cooperative or Federation of Credit Cooperatives, in Article 32, paragraph (5) of the Labor Bank Act in the event that the Financial Institution, etc. is a labor bank or The Rokinren Bank, and in Article 23, paragraph (2) of The Shoko Chukin Bank, Ltd. Act in the event that the Financial Institution, etc. is The Shoko Chukin Bank, Ltd. (including a company that is deemed to be a subsidiary company); the same applies in the following paragraph and the following Article) or a person to whom business has been entrusted by the Financial Institution, etc. (excluding a Financial Institution agent; the same applies in the following paragraph and paragraphs (2) and (5) of the following Article) to report or submit material with regard to the status of business and property of said Financial Institution, etc.

- (3) A person to whom business has been entrusted by a subsidiary of the Financial Institution, etc. or the Financial Institution, etc. may, if there are justifiable grounds, refuse to report or submit material under the preceding paragraph.

(On-Site Inspection)

Article 137 (1) The Prime Minister may, if he/she finds it necessary to ensure the smooth implementation of this Act, authorize his/her officials to enter a business office (in the case of a Shinkin Bank, etc., an office) or any other facilities of a Financial Institution, etc. (including a Financial Institution agent) and ask questions on the status of its business and property or inspect books, documents, and other items.

- (2) The Prime Minister may, when and to the extent he/she finds it particularly necessary in authorizing the entry, questioning, or inspection under the preceding paragraph, authorize said officials to enter the facilities of a subsidiary company of the Financial Institution, etc. or the person to whom business has been entrusted by the Financial Institution, etc. and ask necessary questions concerning the questioning or inspection of said Financial Institution, etc. or inspect books, documents, and other items.

- (3) In the case referred to in the preceding two paragraphs, the officials shall carry a certificate of identification and produce it if requested by those concerned.

- (4) The authority to conduct on-site inspections prescribed in paragraphs (1) and (2) must not be construed as given for any criminal investigation.

- (5) The provisions of paragraph (3) of the preceding Article apply mutatis

mutandis to the questioning and inspection under paragraph (2) of a person to whom business has been entrusted by a subsidiary of the Financial Institution, etc. or the Financial Institution, etc.

- (6) The Prime Minister may, if he/she finds it necessary, authorize the Corporation to conduct the entry, questioning, or inspection (limited to those conducted to investigate the following matters) under paragraph (1) or (2). In this case, the Corporation is to authorize its officials to conduct said entry, questioning, or inspection.
- (i) That the payment of insurance premiums under Article 50, paragraph (1) has been made appropriately.
  - (ii) That measures prescribed in Article 55-2, paragraph (4) and Article 58-3, paragraph (1) have been taken.
  - (iii) The expected amount of payment to be received for deposits and other claims prescribed in Article 71, paragraph (2).
- (7) The provisions of paragraph (3) to (5) apply mutatis mutandis to the entry, questioning, or inspection under the preceding paragraph.

(Notice of Commencement of Bankruptcy Proceedings of a Financial Institution, etc.)

Article 137-2 (1) When a ruling for the commencement of bankruptcy proceedings is made with respect to a Financial Institution, the court clerk shall notify to that effect the Prime Minister (in the case of a labor bank or The Rokinren Bank, the Prime Minister and the Minister of Health, Labour and Welfare, and in the case of The Shoko Chukin Bank, Ltd., the Prime Minister, the Minister of Finance, and the Minister of Economy, Trade and Industry).

(2) In bankruptcy proceedings of a Financial Institution, when notice is given under Article 197, paragraph (1) of the Bankruptcy Act (including the cases where it is applied mutatis mutandis pursuant to Article 209, paragraph (3) of said Act) or Article 204, paragraph (2) of the Bankruptcy Act, or permission is granted under Article 208, paragraph (1) of said Act, a bankruptcy trustee shall notify the Corporation to that effect.

(Delegation to Cabinet Order)

Article 138 In addition to what is provided for in this Act, necessary matters for the implementation of this Act will be specified by a Cabinet Order.

(Delegation of Authority)

Article 139 (1) The Prime Minister delegates the authority under this Act to the Commissioner of the Financial Services Agency, except those specified below:

- (i) Appointment under Article 26, paragraph (1) or (2);
- (ii) Dismissal under Article 26, paragraph (3) or Article 29;



- (iii) Approval under Article 30; and
  - (iv) Any other matter specified by a Cabinet Order.
- (2) The Commissioner of the Financial Services Agency may, pursuant to the provisions of a Cabinet Order, delegate part of the authority that has been delegated under the preceding paragraph to the Director-Generals of Local Finance Bureaus or Director-Generals of Local Finance Branch Bureaus.

(Transitional Measures)

Article 140 When enacting, revising or abolishing an order pursuant to this Act, necessary transitional measures (including transitional measures concerning penal provisions) may be provided for by that order, to the extent considered reasonably necessary for its enactment, revision or abolition.

### **Chapter IX Penal Provisions**

- Article 141 (1) Any financial administrator or financial administrator representative who has accepted, solicited, or promised to accept a bribe in connection with his/her duties will be punished by imprisonment with work for not more than three years or a fine of up to one million yen.
- (2) When a financial administrator or financial administrator representative is a corporation, any officer or staff member of such financial administrator or financial administrator representative who has accepted, solicited, or promised to accept a bribe in connection with his/her duties will be punished by imprisonment with labor for not more than three years or a fine of up to one million yen. The same applies when, in the event that a financial administrator or financial administrator representative is a corporation, any officer or staff thereof has caused the financial administrator or financial administrator representative to accept, solicit an offer of or promise of a bribe in connection with the duties of a financial administrator or financial administrator representative.
- (3) Any bribe accepted by an offender or financial administrator or financial administrator representative who is a corporation will be confiscated. If it is not possible to confiscate the whole or part of the bribe, an equivalent value thereof will be collected.

Article 142 Any person who has given, or offered or promised to give the bribe prescribed in paragraph (1) or (2) of the preceding Article will be punished by imprisonment with labor for not more than three years or a fine of up to one million yen.

Article 143 (1) Any person who has failed to submit reports or materials under

Article 136, paragraph (1) or (2) or submitted false reports or materials will be punished by an imprisonment with labor for not more than one year or a fine of up to three million yen.

- (2) The provisions of the preceding paragraph apply to any person who has refused to answer questions or given false answers to the officials or staff of the Corporation under Article 137, paragraph (1), (2) or (6) or has refused, obstructed, or avoided any inspection under these provisions.

Article 144 Any person who has divulged any secret which may have come to his/her knowledge in the course of his/her duties in violation of the provisions of Article 22 (including the cases where it is applied mutatis mutandis pursuant to Article 33) or Article 82 will be punished by an imprisonment with labor for not more than one year or a fine of not more than five hundred thousand yen.

Article 145 (1) Any director, executive officer or deputy governor, accounting advisor (in the event that the accounting advisor is a corporation, a member who is to perform the duties of the accounting advisor), corporate auditor, accounting auditor (in the event that the accounting auditor is a corporation, a member who is to perform the duties of the corporate auditor), any inspector, manager, counselor, or any other employee of a Failed Financial Institution, a Financial Institution agent having said Failed Financial Institution as its principal Financial Institution (in the event that the Financial Institution agent is a corporation, any of its officers and employees), or a person who previously held any of these positions has failed to submit reports or submitted false reports under Article 37, paragraph (3) or refused, obstructed, or avoided any inspection under Article 37, paragraph (3) will be punished by an imprisonment with work for not more than one year or a fine of not more than five hundred thousand yen.

- (2) The provisions of the preceding paragraph apply to any director, executive officer or deputy governor, accounting advisor (in the event that the accounting advisor is a corporation, a member who is to perform the duties of the accounting advisor), corporate auditor, accounting auditor (in the event that the accounting auditor is a corporation, a member who is to perform the duties of the corporate auditor), inspector, manager, counselor, or any other employee of a Financial Institution under Management, a Financial Institution agent having the Financial Institution under Management as its principal Financial Institution (in the event that the Financial Institution agent is a corporation, any of its officers and employees), or a person who previously held any of these positions who has failed to submit reports or submitted false reports under Article 81, paragraph (1) (including the cases where it is applied by replacing

the term pursuant to the provisions of Article 77, paragraph (1); hereinafter the same applies in this paragraph) or refused, obstructed, or avoided any inspection under Article 81, paragraph (1).

Article 146 Any person who falls under any of the following items will be subject to a fine of not more than five hundred thousand yen:

- (i) Any person who has failed to submit reports or submitted false reports under Article 64-2, paragraph (5) (including the cases where it is applied mutatis mutandis pursuant to Article 68-2, paragraph (5) (including the cases where it is applied mutatis mutandis pursuant to Article 69, paragraph (4) and Article 101, paragraph (7)), Article 68-3, paragraph (5) (including the cases where it is applied mutatis mutandis pursuant to Article 69, paragraph (4) and Article 101, paragraph (7)), Article 69, paragraph (4) and Article 101, paragraph (7)), Article 100 or Article 108, paragraph (2) (including the cases where it is applied mutatis mutandis pursuant to Article 108-2, paragraph (4) (including the cases where it is applied mutatis mutandis pursuant to Article 108-3, paragraph (8)) and Article 108-3, paragraph (8));
- (ii) Any person who has failed to submit reports or materials under Article 80 or Article 115 or submitted false reports or materials.

Article 147 Any officer or staff of the Corporation who has committed any of the following violations is subject to a fine of not more than five hundred thousand yen:

- (i) When he/she has failed to submit reports or submitted false reports under Article 46, paragraph (1) or has refused, obstructed or avoided any inspection under Article 46, paragraph (1);
- (ii) When he/she has failed to submit reports or submitted false reports under Article 56, paragraph (4) (including the cases where it is applied mutatis mutandis pursuant to Article 57, paragraph (5) and Article 72, paragraph (5)), Article 64, paragraph (3) (including the cases where it is applied mutatis mutandis pursuant to Article 69, paragraph (4), Article 69-3, paragraph (2) (including the cases where it is applied mutatis mutandis pursuant to Article 127 and Article 128), Article 101, paragraph (7) and Article 118, paragraph (4)), Article 92, paragraph (3), Article 96, paragraph (3), Article 97, paragraph (2), Article 98, paragraph (2), Article 107, paragraph (2), Article 109, paragraph (2), Article 120, paragraph (4), Article 123, paragraph (1) or Article 129, paragraph (4).

Article 148 Any person who has failed to submit materials or submitted false materials under Article 37, paragraph (1) or Article 55-2, paragraph (2) will be charged with a fine of not more than 300,000 yen.

Article 149 (1) When a representative (including an administrator of an Association Without Legal Personality, etc.) of a corporation (including an association or foundation which is not a corporation but for which a representative or an administrator has been designated (hereinafter referred to as an "Association Without Legal Personality, etc." in this Article); hereinafter the same applies in this paragraph) or an agent, employee, or other worker of a corporation or individual has committed any violation specified in each of the following items with regard to the business or property of such corporation or individual, not only the offender will be punished, but also said corporation will be charged with the fine set forth in each respective item and said individual will be charged by the fine prescribed in the respective Articles.

(i) Article 143: A fine of not more than 200,000,000 yen

(ii) Article 145 (limited to the part pertaining to the following persons), Article 146 or Article 148: The fine prescribed in the respective Articles

(a) Financial Institution agent (limited to corporations)

(b) Accounting advisor (limited to corporations)

(c) Accounting auditor (limited to corporations)

(2) In the event that the provisions of the preceding paragraph apply to an Association Without Legal Personality, etc., its representative or administrator will represent the Association Without Legal Personality, etc. in its procedural action, and the provisions of Acts concerning criminal procedure in the cases where a corporation is accused or suspected will be applied.

Article 150 (1) The crimes set forth in Article 141 apply to any person who has committed these crimes outside Japan.

(2) The crimes set forth in Article 142 are governed by Article 2 of the Penal Code.

Article 151 (1) Any director, executive officer or deputy governor of a Financial Institution or Bank Holding Company, etc. who has committed any of the following violations will be charged with a non-criminal fine of not more than one million yen; provided, however, that this does not apply when such act should be made subject to a criminal punishment:

(i) When he/she has failed to give public notice, report, notice or demand prescribed in this Act or has given unauthorized public notice, report, or notice;

(ii) When he/she has violated an order under Article 58-3, paragraph (2);

(iii) When he/she has failed to make submission or has made false submission pursuant to the provision of Article 68-2, paragraph (4) or Article 68-3, paragraph (4) (including the cases where these provisions are applied mutatis mutandis pursuant to Article 69, paragraph (4) and Article 101,

- paragraph (7)), Article 108-2, paragraph (3) (including the cases where it is applied mutatis mutandis pursuant to Article 108-3, paragraph (8)), Article 108-3, paragraph (3) (including the cases where it is applied mutatis mutandis pursuant to Article 108-3, paragraph (4)) or Article 108-3, paragraph (7);
- (iv) When he/she has failed to make registration in violation of the provisions of Article 107-3, paragraph (2) or Article 107-4, paragraph (2);
  - (v) When he/she has committed any act prescribed in Article 108-2, paragraph (1) (including the cases where it is applied mutatis mutandis pursuant to Article 108-3, paragraph (8)), Article 108-3, paragraph (1) (including the cases where it is applied mutatis mutandis pursuant to Article 108-3, paragraph (4)) or Article 108-3, paragraph (5) without the authorization of the Prime Minister prescribed in these provisions;
  - (vi) When he/she has failed to provide notification or provided false notification in violation of the provisions of Article 74, paragraph (5);
  - (vii) When he/she fails to transfer affairs to a financial administrator who has been appointed under Article 77, paragraph (2);
  - (viii) When he/she has failed to make payment, provide security, or entrust property under Article 131, paragraph (8).
- (2) When a financial administrator fails to transfer his/her affairs to a director, executive officer, deputy governor, or liquidator of a Financial Institution under Management despite the rescission of a Disposition Ordering Management under Article 75, such financial administrator will be charged with a non-criminal fine of not more than one million yen; provided, however, that this does not apply when a criminal punishment should be imposed for the act in question.
- (3) A financial administrator of the Financial Institutions specified in each of the following items will be charged with a non-criminal fine of not more than one million yen if he/she falls under any of the provisions prescribed in each respective item; provided, however, that this does not apply when a criminal punishment should be imposed for the act in question:
- (i) A Bank: Each item of Article 976 of the Companies Act or each item of Article 65 of the Banking Act
  - (ii) A Long-Term Credit Bank: Each item of Article 976 of the Companies Act or each item of Article 27 of the Long-Term Credit Bank Act
  - (iii) A Financial Institution that conducts trust business under Article 1, paragraph (1) of the Act on Provision, etc. of Trust Business by Financial Institutions: Each item of Article 15 of said Act
  - (iv) A credit cooperative or Shinkin Central Bank: Each item of Article 91, paragraph (1) of the Shinkin Bank Act
  - (v) A credit cooperative or Federation of Credit Cooperatives: Each item of

- Article 12, paragraph (1) of the Act on Financial Business by Cooperatives
- (vi) A labor bank or The Rokinren Bank: Each item of Article 101, paragraph (1) of the Labor Bank Act
- (vii) The Shoko Chukin Bank, Ltd.: Each item of Article 976 of the Companies Act or Article 76 of The Shoko Chukin Bank, Ltd. Act
- (4) A financial administrator of a credit cooperative or Federation of Credit Cooperatives who falls under any item of Article 115, paragraph (1) of the Small and Medium-Sized Enterprises Cooperatives Act will be charged with a non-criminal fine of not more than 200,000 yen; provided, however, that this does not apply when a criminal punishment should be imposed for the act in question.

Article 152 Any officer of the Corporation who falls under any of the following items will be charged with a non-criminal fine of not more than 200,000 yen:

- (i) When he/she is required under this Act to obtain the authorization or approval of the Prime Minister and the Minister of Finance but has failed to obtain such authorization or approval;
- (ii) When he/she has failed to make registration in violation of the Cabinet Order prescribed in Article 7, paragraph (1);
- (iii) When he/she has carried out operations other than those prescribed in Article 34;
- (iv) When he/she has failed to keep documents or make them available for public inspection in violation of the provisions of Article 40, paragraph (3);
- (v) When he/she has failed to calculate or set aside a liability reserve in violation of the provisions of Article 41;
- (vi) When he/she has invested surplus funds from operations in violation of the provisions of Article 43;
- (vii) When he/she has violated an order of the Prime Minister and the Minister of Finance under Article 45, paragraph (2);
- (viii) When he/she has failed to submit reports or submitted false reports under Article 55, paragraphs (3) and (4), Article 59, paragraph (7) (including the cases where it is applied mutatis mutandis pursuant to Article 59-2, paragraph (3) (including the cases where it is applied mutatis mutandis pursuant to Article 69, paragraph (4)), Article 69, paragraph (4), Article 101, paragraph (5) and Article 118, paragraph (2)), Article 60, paragraph (3), Article 61, paragraph (7) (including the cases where it is applied mutatis mutandis pursuant to Article 62, paragraph (4) (including the cases where it is applied mutatis mutandis pursuant to Article 101, paragraph (7) and Article 118, paragraph (4)), Article 101, paragraph (5) and Article 118, paragraph (2)), Article 66, paragraph (4) (including the cases where it is applied mutatis mutandis pursuant to Article 101, paragraph (7) and Article

118, paragraph (4)) or Article 120, paragraph (3).

Article 153 Any person who has violated the provisions of Article 6, paragraph (2) will be charged with a non-criminal fine of not more than 200,000 yen.