

# **DEPOSIT INSURANCE LAW**

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**Provisional Version**

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## **Deposit Insurance Law**

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## **CHAPTER 1. GENERAL PROVISIONS**

### **Article 1. Purpose**

The purpose of the Deposit Insurance Law (hereinafter “the Law”) is to protect depositors and other parties as well as maintain an orderly financial system, by providing for the payment of deposit insurance claims and the purchase of deposits and other claims in the event that repayment of said deposits, etc., is suspended by a financial institution, and, regarding the resolution of failed financial institutions, providing appropriate financial assistance to facilitate mergers, etc. or other resolutions of failed financial institutions, providing for financial administrators for failed financial institutions, providing for the succession of business of failed financial institutions, and establishing a system for appropriate measures in response to financial crises.

### **Article 1-2. Respect for Autonomy of Financial Institutions**

Application of the provisions of the Law shall respect the autonomy of financial institutions.

### **Article 2. Definitions**

1. The term “financial institution” as used herein shall refer to the following entities, except when the head office is in a location not falling under the jurisdiction of the Law:

- (1) Banks coming under the provisions of Article 2, Paragraph 1 of the Banking Law (Law No. 59 of 1981) (hereinafter “banks”)
- (2) Long-term credit banks coming under the provisions of Article 2 of the Long-Term Credit Bank Law (Law No. 187 of 1952) (hereinafter “long-term credit banks”)
- (3) Shinkin banks
- (4) Credit cooperatives
- (5) Labor banks
- (6) The Shinkin Central Bank
- (7) A federation of credit cooperatives whose business comes under the provisions of Article 9-9, Paragraph 1, Item (1) of the Law for the Cooperative Association of Small and Medium Enterprises (Law No. 181 of 1949) (hereinafter “the Shinkumi Federation Bank”)
- (8) The Rokinren Bank

2. The term “deposits, etc.” as used herein shall refer to the following:

(1) Deposits

(2) Installment savings

(3) Installment contributions coming under the provisions of Article 2, Paragraph 4 of the Banking Law

(4) Money receivable under money trust agreements to cover payment of principal (including loan trusts) coming under the provisions of Article 9 of the Trust Business Law (Law No. 65 of 1922)

(5) Money receivable through the issuance of bonds (limited to such for which ownership rights can be clearly ascertained as stipulated by Cabinet Order) under the provisions of Article 8 of the Long-Term Credit Bank Law; Article 17-2, Paragraph 1 of the Law Concerning Amalgamation and Conversion of Financial Institutions (Law No. 86 of 1968; including cases applied mutatis mutandis under the provisions of Article 24, Paragraph 1, Item (7) of the same); Article 17-2, Paragraph 1 of the Law Concerning Amalgamation and Conversion of Financial Institutions prior to amendment under the provisions of Article 168 of the Supplementary Provisions of the Law Regarding Improvement of Relevant Laws for the Financial System Reform (Law No. 107 of 1998) as enforced under Article 169 of the same; and Article 54-2, Paragraph 1 of the Shinkin Bank Law (Law No. 238 of 1951)

3. The term “depositors, etc.” as used herein shall refer to persons holding deposits, etc., or and other creditors with a claim against deposits, etc.

4. The term “failed financial institution” as used herein shall refer to a financial institution that has suspended repayment of deposits, etc. (referring to the settlement of financial obligations related to deposits, etc.; the same shall also apply below), or is at risk of suspending repayment thereof, due to business conditions or the situation of its assets.

5. The term “bank holding company” as used herein shall refer to the following entities:

(1) Bank holding companies coming under the provisions of Article 2, Paragraph 11 of the Banking Law

(2) Companies authorized under the provisions of Article 52-2, Paragraph 1 of the Banking Law to act as holding companies which have banks as subsidiaries (referring to holding companies which have banks as subsidiaries stipulated in Article 52-2, Paragraph 1 of the Banking Law; said provision shall also apply to Article 61, Paragraph 8 herein) through the acquisition of the shares of banks that have become failed financial institutions

(3) Long-term credit bank holding companies coming under the provisions of Article 16-4, Paragraph 1 of the Long-Term Credit Bank Law

(4) Companies authorized under the provisions of Article 16-2, Paragraph 1 of the Long-Term Credit Bank Law to act as holding companies which have long-term credit banks as subsidiaries (referring to holding companies which have long-term credit banks as subsidiaries stipulated in Article 16-2, Paragraph 1 of the Long-Term Credit Bank Law; said provision shall also apply to Article 61, Paragraph 8 herein) through the acquisition of the shares of long-term credit banks that have become failed financial institutions

(5) Companies other than those stipulated in Items (1) through (4) above (excluding banks and long-term credit banks) holding or seeking to hold a bank or long-term credit bank (hereinafter “bank, etc.”) as a subsidiary (referring to companies holding more than fifty percent of the issued shares of another company; the same shall also apply in the items below)

6. The term “preferred shares, etc.” as used herein shall refer to preferred shares (referring to shares that have no voting rights at the time of issuance but are entitled to preferential payment of profit dividends and distribution of remaining assets; the same shall also apply hereinafter), subordinated corporate bonds (referring to corporate bonds for which payment of principal and interest is subordinated relative to other instruments and which add to the equity capital of a bank, etc., or bank holding company as stipulated by Cabinet Order; the same shall also apply hereinafter) and other instruments stipulated by Cabinet Order as being equivalent to these.

7. The term “shares, etc.” as used herein shall refer to preferred shares, etc., and shares other than preferred shares, etc.

8. The term “subscription of preferred shares, etc.” as used herein shall refer to the subscription of preferred shares, etc., or extending credit in the form of loans subject to subordination clauses (referring to loans for which payment of principal and interest is subordinated relative to other instruments and which add to the equity capital of a financial institution or bank holding company as stipulated by Cabinet Order).

9. The term “subscription of shares, etc.” as used herein shall refer to the subscription of shares other than preferred shares, etc., and the subscription of preferred shares, etc.

10. The term “loss sharing” as used herein shall refer to a supplementary guarantee for partial repayment of the unrecovered amount against creditor claims for lending that are unsettled in full or in part based on an agreement concluded before the fact.

11. The term “transfer of insured deposits” as used herein shall refer to the assumption of liability related to deposits, etc., of a failed financial institution by another financial institution when such liability includes liability related to deposits, etc., corresponding to amounts of insurance claims computed under the provisions of Article 54, Paragraphs 1 through 3 herein (excluding such in connection with the transfer or assumption of

business [or the business of financial institutions stipulated under the provisions of Items (3) through (8) above; the same shall apply below]; hereinafter “business transfer, etc.”).

12. The term “financial institution under management” as used herein shall refer to a financial institution that has been placed under management as stipulated under the provisions of Article 74, Paragraph 1 herein in accordance with the provisions of Article 74, Paragraph 1 or Paragraph 2 or Article 110, Paragraph 1 herein.

13. The term “bridge bank” as used herein shall refer to a bank that has succeeded to the business of a financial institution under management by the assumption of business, transfer of insured deposits or merger (hereinafter “assumption of business”) whose primary purpose is to maintain and continue said business on a provisional basis, said bank being established as a subsidiary of the Deposit Insurance Corporation (referring to a company of which more than fifty percent of the issued shares are owned by the Deposit Insurance Corporation; the same shall apply below).

## **CHAPTER 2. DEPOSIT INSURANCE CORPORATION**

### **Section 1. General Provisions**

#### **Article 3. Status as a Juridical Person**

The Deposit Insurance Corporation (hereinafter “DIC”) shall be a juridical person.

#### **Article 4. Limitation on Number**

Only one DIC shall be established.

#### **Article 5. Capital**

1. The capital of the DIC shall be the aggregate of the amounts to be subscribed by the Government and other subscribers at the time of establishment of the DIC.

2. The DIC may, when deeming it necessary, increase its capital with the consent of the Prime Minister and the Minister of Finance.

#### **Article 6. Limitation on Use of Name**

1. The DIC must use the term “Deposit Insurance Corporation” in its name.

2. None other than the DIC shall use the name “Deposit Insurance Corporation”.

#### **Article 7. Registration**

1. The DIC shall be registered as provided for by Cabinet Order.

2. Matters to be registered under the provisions of the preceding paragraph may not be asserted against a third party until they have been registered.

### **Article 8. Application of Civil Code**

The provisions of Article 44 and Article 50 of the Civil Code (Law No. 89 of 1896) shall apply mutatis mutandis to the DIC.

### **Section 2. Establishment**

#### **Article 9. Incorporation**

Seven or more persons with experience and expertise in financing matters shall act as promoters in order to incorporate the DIC.

#### **Article 10. Preparation of Articles of Incorporation**

1. The promoters shall, as soon as possible, prepare Articles of Incorporation and invite capital subscription from subscribers other than the Government.

2. The Articles of Incorporation referred to in the preceding paragraph shall stipulate the following matters:

- (1) Objectives
- (2) Official name
- (3) Location of the head office
- (4) The total amount of capital and matters related to capital subscription
- (5) Matters related to the Policy Board
- (6) Matters related to executives
- (7) Matters related to the scope of operations and their execution
- (8) Matters related to budgets and accounting
- (9) Matters related to amendments to the Articles of Incorporation
- (10) Means of public announcements.

#### **Article 11. Application for Approval**

The promoters shall submit the Articles of Incorporation to the Prime Minister and the Minister of Finance, as soon as possible, after the completion of invitation for subscription as provided in Paragraph 1 of the preceding article.

#### **Article 12. Transfer of Business**

1. The promoters shall, without delay, transfer business matters to the Governor nominee after the approval provided in the preceding article.
2. The Governor nominee shall, without delay, request the payment of subscription capital from the Government and other subscribers after the transfer of business matters under the provisions of the preceding paragraph.

#### **Article 13. Registration**

1. The Governor nominee shall, without delay, apply for registration of incorporation after the payment of subscription capital in Paragraph 2 of the preceding article, as stipulated by Cabinet Order.
2. The DIC shall be established upon registration of its establishment.

#### **Section 3. Policy Board**

##### **Article 14. Creation of the Policy Board**

A Policy Board shall be established within the DIC.

##### **Article 15. Authority**

Besides those stipulated in Chapter 3, Chapter 4 and Chapter 6 through Chapter 8 herein, the following matters shall be subject to a resolution of the Policy Board:

- (1) Amendments to the Articles of Incorporation
- (2) Preparation of and amendments to Operational Guidelines
- (3) Budgets and funding plans
- (4) Financial settlement
- (5) Other matters deemed particularly necessary by the Policy Board

##### **Article 16. Organization**

1. The Policy Board shall be composed of not more than eight members, in addition to the Governor and the Deputy Governors of the DIC .

2. The Policy Board shall have a chairman who shall be the Governor of the DIC.
3. The chairman of the Policy Board shall preside over meetings of the Policy Board.
4. The Policy Board shall designate beforehand a person who is either a member of the Policy Board or a Deputy Governor of the DIC to represent the chairman of the Policy Board in the event said chairman is prevented from attending to his duties.

#### **Article 17. Appointment of Policy Board Members**

Subject to the approval of the Prime Minister and the Minister of Finance, the Governor of the DIC shall appoint members to the Policy Board from among persons with specialized knowledge and expertise in financial matters.

#### **Article 18. Term of Office of Policy Board Members**

1. The term of office of Policy Board members shall be one year, provided, however, that in the event of appointment of a substitute member due to the absence of a regular member, the term of office of the substitute member shall be limited to the unexpired term of said absent member.
2. Policy Board members may be reappointed.

#### **Article 19. Removal of Policy Board Members**

Subject to the approval of the Prime Minister and the Minister of Finance, the Governor of the DIC may remove a Policy Board member for any of the following reasons:

- (1) The member is adjudicated bankrupt
- (2) The member is sentenced to imprisonment or a heavier punishment
- (3) The member is deemed incapable of discharging his or her duties due to mental or physical disability
- (4) The member has violated the terms of his or her appointment

#### **Article 20. Remuneration of Policy Board Members**

Policy Board members shall be paid no remuneration but shall be paid for travel and other expenses incurred in connection with the execution of their duties.

#### **Article 21. Method of Resolutions**

1. Meetings shall not be convened nor resolutions adopted if fewer than six members of the Policy Board and/or Deputy Governors of the DIC are present, besides the

chairman of the Policy Board or any person who represents the chairman under the provisions of Article 16, Paragraph 4 herein.

2. Resolutions of the Policy Board shall be determined by a majority vote of the chairman of the Policy Board, Policy Board members and Deputy Governors present. In the event of a tie, the deciding vote shall be cast by the chairman of the Policy Board.

3. Staff appointed by the Prime Minister and the Minister of Finance, respectively, shall be entitled to attend the meetings stipulated in Paragraph 1 above and express their opinions.

4. Executive Directors of the Bank of Japan appointed by the Bank of Japan Policy Board shall be entitled to attend the meetings stipulated in Paragraph 1 above and express their opinions.

#### **Article 22. Obligation of Confidentiality Imposed on Policy Board Members**

Members of the Policy Board shall not disclose or appropriate any confidential information of which they have learned in performing their duties; the same shall also apply after the end of their term of office.

#### **Article 23. Status of Policy Board Members**

Members of the Policy Board shall be deemed to be those engaged in public services by laws and regulations, insofar as the application of the Penal Code (Law No. 45 of 1907) and other penal provisions is concerned.

#### **Section 4. Executives**

##### **Article 24. Executives**

The executives of the DIC shall consist of one Governor, no more than four Deputy Governors and one Auditor.

##### **Article 25. Duties and Authority of Executives**

1. The Governor shall represent the DIC and preside over its business affairs.
2. Deputy Governors shall, as determined by the Governor, represent the DIC, assist the Governor in managing the business affairs of the DIC, act on behalf of the Governor when the Governor is indisposed, and perform the duties of the Governor when the position of the Governor is vacant.
3. The Auditor shall audit the business affairs of the DIC.

4. The auditor may, when deeming it necessary based on the results of the audit, submit an opinion to the Governor of the DIC or the Prime Minister and the Minister of Finance.

#### **Article 26. Appointment of Executives**

1. Executives shall be appointed by the Prime Minister subject to the approval of both Houses of the Diet.
2. Notwithstanding the provision of the preceding paragraph, the Prime Minister may appoint executives upon expiration of the term of office or vacancy prior to expiration of the term of office of an executive, in the event that the approval of both Houses of the Diet cannot be obtained due to recess or dissolution.
3. In the event that executives are appointed under the provision of the preceding paragraph, the approval of both Houses of the Diet shall be sought in the session immediately following the appointment. If the approval of both Houses of the Diet is not obtained, the Prime Minister shall immediately remove the executives appointed.

#### **Article 27. Term of Office**

1. The term of office of executives shall be two years.
2. Executives may be reappointed.

#### **Article 28. Ineligibility**

No employee of the national or any local government (except those in part-time employment) shall be eligible to serve as an executive.

#### **Article 29. Removal of Executives**

1. The Prime Minister shall remove any executive who falls under the provisions of the preceding article.
2. The Prime Minister may remove any executive who falls under any of the items of Article 19 or is otherwise deemed unsuitable as an executive of the DIC.

#### **Article 30. Prohibition of Concurrent Positions**

No executive (except the Auditor) may be an executive of any profit-seeking organization or engage in any commercial business for pecuniary gain without the approval of the Prime Minister.

#### **Article 31. Restriction on Power of Representation**

The Governor or Deputy Governors of the DIC shall have no power of representation in matters in which their interests are in conflict with that of the DIC. In such cases, the Auditor shall represent the DIC.

#### **Article 31-2. Appointment of Legal Representatives**

The Governor of the DIC may appoint from among the employees of the DIC legal representatives who shall have full power to act for the DIC in all juridical and non-judicial matters pertaining to any part of the DIC's business.

#### **Article 32. Appointment of Employees**

The employees of the DIC shall be appointed by the Governor.

#### **Article 33. Obligation of Executives and Employees to Maintain Confidentiality**

The provisions of Article 22 and Article 23 herein shall apply mutatis mutandis to executives and employees.

### **Section 5. Operations**

#### **Article 34. Scope of Operations**

The DIC shall engage in the following operations in order to achieve the purpose stipulated in Article 1 herein:

- (1) Collection of insurance premiums under the provisions of Chapter 3, Section 2 herein
- (2) Payment of insurance claims and partial payments under the provisions of Chapter 3, Section 3 herein
- (3) Financial assistance and other operations under the provisions of Chapter 3, Section 4 herein
- (4) Purchase of deposits and other claims under the provisions of Chapter 4 herein
- (5) Acting as a financial administrator or as a deputy for a financial administrator as stipulated under the provisions of Article 78, Paragraph 2 herein
- (6) Management of bridge banks and other operations under the provisions of Chapter 6 herein
- (7) Subscription of shares, etc., and other operations under the provisions of Chapter 7 herein

(8) Providing loans under the provisions of Article 127 or Article 128 herein, and/or purchasing assets under the provisions of Article 129 herein

(9) Submission of lists of depositors, etc., under the provisions of Chapter 4 and Chapter 5 of the Law Concerning Special Cases of Reorganization Proceedings for Financial Institutions (Law No. 95 of 1996) and other obligations under these provisions

(10) Other operations incidental to the business stipulated in Items (1) through (9) above

### **Article 35. Delegation of Operations**

1. Subject to the approval of the Prime Minister and the Minister of Finance, the DIC may delegate part of its operations to the Bank of Japan or other financial institutions.
2. Notwithstanding the provisions of other laws, the Bank of Japan and other financial institutions may undertake the operations of the DIC through delegation as stipulated in the preceding paragraph.
3. The provisions of Article 23 herein shall apply mutatis mutandis to the executives or employees of financial institutions that have been delegated operations as stipulated in Paragraph 1 above.

### **Article 36. Operational Guidelines**

1. Upon commencement of business operations, the DIC shall prepare Operational Guidelines, which shall be subject to the approval of the Prime Minister and the Minister of Finance. Any amendment to the Operational Guidelines shall be subject to the same requirement.
2. The Operational Guidelines referred to in the preceding paragraph shall include matters concerning deposit insurance premiums and other matters stipulated in ordinances of the Cabinet Office and the Ministry of Finance.

### **Article 37. Request for Submission of Materials**

1. When deeming it necessary for the performance of its operations, the DIC may request financial institutions to submit relevant materials.
2. Financial institutions that have been requested to submit materials under the provisions of the preceding paragraph shall, without delay, comply with said request.
3. The DIC may require the present or former directors (or the party acting in a capacity similar to director if the failed financial institution is a Shinkin bank or the Shinkin Central Bank, a credit cooperative or the Shinkumi Federation Bank, or a labor bank or the Rokinren Bank [hereinafter “Shinkin bank, etc.”]), auditors (or the party acting in a

capacity similar to auditor if the failed financial institution is a Shinkin bank, etc.), managers (or the party acting in a capacity similar to managers if the failed financial institution is a credit cooperative or the Shinkumi Federation Bank, or a labor bank or the Rokinren Bank), or other employees of a failed financial institution to submit reports in connection with the business and asset situation of said failed financial institution (provided, however, that any report submitted by persons who were formerly such persons shall be limited to matters they were able to ascertain during the time in which they were engaged in the operations of said failed financial institution), or may inspect the ledgers, documents and other related materials of a failed financial institution.

4. When deemed particularly necessary by the DIC and requested for the performance of its operations, the Bank of Japan or national, metropolitan or prefectural governments may submit materials to the DIC or allow it to disclose them.

## **Section 6. Budget and Accounting**

### **Article 38. Business Year**

The business year of the DIC shall be from April 1 to March 31 of the following year.

### **Article 39. Approval of Budget**

Each business year, the DIC shall prepare a budget and financing plan and shall obtain the approval of the Prime Minister and the Minister of Finance before the start of the respective business year. Any amendments to the budget or financing plan shall be subject to the same requirements.

### **Article 40. Financial Statements**

1. Each business year, the DIC shall prepare a general inventory, a balance sheet and a profit and loss statement (hereinafter “financial statements”) and shall submit the same to the Prime Minister and the Minister of Finance for approval within three months of the end of the corresponding business year.

2. When submitting the financial statements stipulated in the preceding paragraph to the Prime Minister and the Minister of Finance, the DIC shall append a business report for the respective business year and a report on the settlement of accounts prepared in accordance with respective budgetary divisions, together with an opinion report prepared by the auditor with respect to the financial statements and report on the settlement of accounts

3. Upon receipt of the approval of the Prime Minister and the Minister of Finance as stipulated in Paragraph 1 above, the DIC shall, without delay, publish the financial statements in the Official Gazette, and shall moreover retain the financial statements and supplementary statements together with the business report, report of final accounts, and auditor’s opinion report prepared under the provisions of the preceding paragraph at

its various offices, and shall make the same available for public disclosure for a period of time stipulated by ordinance of the Cabinet Office and the Ministry of Finance.

#### **Article 40-2. Separate Accounting**

The DIC shall conduct separate accounting for each category of operations stipulated below and shall prepare separate accounts for each:

- (1) Operations stipulated in each item of Article 34 herein (excluding those stipulated in the following item)
- (2) Operations in connection with the subscription of shares, etc., under the provisions of Article 107, Paragraph 1 herein, the collection of contributions under the provisions of Article 122, Paragraph 1 herein, and operations incidental to the same

#### **Article 41. Liability Reserve**

At the end of each business year, the DIC shall calculate a liability reserve for the General Account (referring to the account concerning operations stipulated under the provisions of Item (1) of the preceding article; the same shall also apply hereinafter), to be set aside in accordance with ordinances of the Cabinet Office and the Ministry of Finance.

#### **Article 42. Borrowing and Deposit Insurance Corporation Bonds**

1. Subject to the approval of the Prime Minister and the Minister of Finance, the DIC may borrow (including refinancing) from financial institutions or other parties (except the Bank of Japan) or may issue DIC bonds (hereinafter “bonds”) (including issuance for the purpose of refinancing bonds) when deeming it necessary for the operations stipulated under the provisions of Article 40-2, Item (1) herein.
2. Subject to the approval of the Prime Minister and the Minister of Finance, the DIC may borrow from the Bank of Japan (including refinancing) when deeming it necessary for temporary cash flow when conducting the operations stipulated in the preceding paragraph.
3. The total of the current amount of borrowing carried out under the provisions of Paragraph 1 above, the current amount of principal obligation incurred by the issuance of bonds carried out under the provisions of the same paragraph, and the current amount of borrowing carried out under the provisions of the preceding paragraph shall not exceed the limit stipulated by Cabinet Order.
4. Notwithstanding the provisions of Article 43, Paragraph 1 of the Bank of Japan Law (Law No. 89 of 1997), the Bank of Japan may lend the funds stipulated in Paragraph 2 above to the DIC.

5. Holders of bonds issued under the provisions of Paragraph 1 above shall have preferred claims against the assets of the DIC over other creditors in the settlement of said claims.
6. The order of preferred claims stipulated in the preceding paragraph shall follow in priority to ordinary preferential rights under the provisions of the Civil Code.
7. Subject to the approval of the Prime Minister and the Minister of Finance, the DIC may delegate all or some of the administrative work related to the issuance of bonds to banks, etc., or trust companies.
8. The provisions of Article 309, Article 310 and Article 311 of the Commercial Code (Law No. 48 of 1899) shall apply mutatis mutandis to the delegation of administrative work to banks, etc., or trust companies as stipulated in the preceding paragraph.
9. Besides the provisions stipulated in Paragraph 1 and Paragraphs 5 through 8 above, necessary matters with respect to bonds shall be as stipulated by Cabinet Order.

#### **Article 42-2. Government Guarantees**

Notwithstanding the provisions of Article 3 of the Law Concerning Limitation of Public Financial Assistance to Corporate Entities (Law No. 24 of 1946), the Government may provide guarantees for liabilities with respect to funds borrowed by the DIC under the provisions of Article 42, Paragraphs 1 or 2 herein or bonds issued by the DIC under the provisions of Paragraph 1 of the same article, within the limits approved by a resolution of the Diet.

#### **Article 43. Investment of Surplus Funds**

The DIC shall not invest surplus funds except by way of:

- (1) Holdings of government bonds or other securities designated by the Prime Minister and the Minister of Finance
- (2) Deposits in financial institutions designated by the Prime Minister and the Minister of Finance
- (3) Other methods stipulated in ordinances of the Cabinet Office and the Ministry of Finance

#### **Article 44. Deference to Ordinances of the Cabinet Office and the Ministry of Finance**

Except as provided herein, other necessary matters with respect to financial matters and accounting of the DIC shall be as provided by ordinances of the Cabinet Office and the Ministry of Finance.

#### **Section 7. Supervision**

## **Article 45. Supervision**

1. The DIC shall be supervised by the Prime Minister and the Minister of Finance.
2. When deeming it necessary for implementation of the Law, the Prime Minister and the Minister of Finance may issue orders as necessary for the supervision of its operations to the DIC.

## **Article 46. Reports and Inspections**

1. When deeming it necessary for implementation of the Law, the Prime Minister and the Minister of Finance may require the DIC to submit reports regarding its operations or may dispatch staff members to the offices of the DIC for the purpose of conducting inspections of ledgers, documents and other related materials.
2. Staff members dispatched to the offices of the DIC for the purpose of conducting on-site inspections as stipulated in the preceding paragraph shall carry means of identification of his or her status and show it to persons concerned upon request.
3. The authority to conduct on-site inspections as stipulated in Paragraph 1 above shall not be construed as being delegated for the purpose of criminal investigation.

## **Section 8. Supplementary Provisions**

### **Article 47. Amendments to the Articles of Incorporation**

Amendments to the Articles of Incorporation shall only become effective when approved by the Prime Minister and the Minister of Finance.

### **Article 48. Dissolution**

1. If, upon dissolution, the DIC has any surplus assets after honoring its financial obligations, the surplus assets shall be distributed to the capital subscribers to the limit of their respective capital subscriptions.
2. Besides the provision of the preceding paragraph, the dissolution of the DIC shall be governed by separately enacted law.

## **CHAPTER 3. DEPOSIT INSURANCE**

### **Section 1. Deposit Insurance Relationship**

#### **Article 49. Deposit Insurance relationship**

1. A deposit insurance relationship shall be formed between the DIC, financial institutions, and depositors, etc., whereby deposits, etc., shall be repaid within a

specified limit to each of said depositors, etc., by virtue of the liability related to deposits, etc., assumed by financial institutions when they conduct their business.

2. Under the deposit insurance system stipulated in the preceding paragraph, the insured amount shall be taken as a claim related to deposits, etc., and either of the following shall be construed as an insurable contingency:

(1) Suspension of repayment of deposits, etc., by a financial institution (hereinafter “Category One Insurable Contingency”)

(2) Cancellation of a financial institution’s license to conduct business (a credit cooperative or the Shinkumi Federation Bank, an order for dissolution; said provision shall also apply to Article 55, Paragraph 2, Item (1) herein), a declaration of bankruptcy, or a resolution for dissolution (hereinafter “Category Two Insurable Contingency”)

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

### **Article 50. Payment of Deposit Insurance Premiums**

1. Financial institutions shall, within three months after the start of each business year, submit documents as stipulated in ordinances of the Cabinet Office and the Ministry of Finance, and shall pay insurance premiums to the DIC, provided, however, that one-half of the total amount of deposit insurance premiums due for a given business year may be paid within three months following the last day of the first six months of that business year.

2. Notwithstanding the provisions of the preceding paragraph, the DIC may exempt a financial institution that falls under any of the following items from payment of deposit insurance premiums in accordance with the Articles of Incorporation:

(1) Financial institutions that have come under a category of insurable contingency

(2) Failed financial institutions that have been authorized for eligibility under the provisions of Article 65 herein

(3) Financial institutions that have been ordered to be placed under management under the provisions of Article 74, Paragraph 1 herein

(4) Bridge banks

(5) Banks, etc., that have been approved a decision made under the provisions of Article 111, Paragraph 1 herein

### **Article 51. Amount of Deposit Insurance Premiums**

1. The amount of the deposit insurance premium shall be the amount calculated for each financial institution by dividing the average amount of the total amount of deposits,

etc. (excluding foreign currency deposits and other deposits, etc., designated by Cabinet Order) for each day of the business year immediately preceding the business year including the day on which premiums are to be paid by twelve (12), multiplying this figure by the number of months in the business year including the day on which premiums are to be paid, and multiplying the amount thus calculated by a premium rate decided by the DIC through a resolution of the Policy Board (hereinafter “the premium rate”) (provided, however, that holidays stipulated under the provisions of Article 15, Paragraph 1 of the Banking Law are not included in the days used for calculation [including cases applied mutatis mutandis under the provisions of Article 17 of the Long-Term Credit Bank Law; Article 89, Paragraph 1 of the Shinkin Bank Law; Article 6, Paragraph 1 of the Law Regarding Financial Business Conducted by Credit Cooperatives (Law No. 183 of 1949); and Article 94, Paragraph 1 of Labor Bank Law (Law No. 227 of 1953)].)

2. The premium rate shall be determined such that the finances of the DIC will balance out over the long term, in consideration of the costs expected to be incurred through payments against claims, financial assistance and other operations of the DIC (except those stipulated under the provisions of Article 40-2, Item (2) herein), and shall in no way be applied in a discriminatory manner to any specific financial institution (except when applied to ensure the soundness of management of a financial institution).

3. In the event of any borrowing of funds under the provisions of Article 42, Paragraphs 1 or 2 herein or issuance of bonds under the provisions of Paragraph 1 of the same article, the DIC may change the premium rates subject to a resolution of the Policy Board when the repayment of such borrowing or the redemption of such bonds is deemed to be difficult.

4. Any decision or change of the premium rate contemplated by the DIC shall be subject to the approval of the Prime Minister and the Minister of Finance.

5. Upon receiving the approval stipulated in the preceding paragraph, the DIC shall, without delay, publish the premium rate that has been approved.

#### **Article 52. Penalty for Late Payment**

1. Any financial institution failing to pay insurance premiums by the due date shall be subject to an overdue penalty payable to the DIC.

2. The overdue penalty shall be calculated by multiplying 14.5 percent p.a. against unpaid insurance premiums and the number of days after the due date until the date when payment is actually made.

### **Section 3. Payment of Deposit Insurance Claims**

#### **Article 53. Payment of Deposit Insurance Claims**

1. In the event of an insurable contingency, the DIC shall, upon request, pay insurance amounts to depositors, etc., affected by the insurable contingency, provided, however, that any payment of claims for Category One Insurable Contingencies shall be conditional upon a decision by the DIC to pay said amounts under the provisions of Article 56, Paragraph 1 herein.
2. Insurable contingencies stipulated in the preceding paragraph shall not include any contingencies occurring thereafter (or, when the proviso of the preceding paragraph is applicable, after a decision by the DIC as stipulated in the said proviso) that are related to the original contingency in connection with the financial institution that is subject to said contingency (referred to as “related insurable contingencies” in Article 57, Paragraph 1, Item (2) herein).
3. The DIC may pay insurance claims by depositing with the financial institution an amount sufficient to satisfy the claim of each of the depositors, etc., affected by the insurable contingency and transferring the rights pertaining to such deposits to the depositors, etc., affected by the insurable contingency.
4. In the occurrence of an insurable contingency, the DIC may, upon request, make a partial payment to depositors, etc., affected by the contingency to the limit of the amount and in the manner stipulated by Cabinet Order.
5. Claims stipulated in Paragraph 1 or Paragraph 4 above may not be made unless they are within the period for payment published under the provisions of Article 57, Paragraphs 1, 2 or 4 herein, provided, however, that this provision shall not apply if the DIC recognizes that said claims were not submitted within the period for payment due to calamity or any other unforeseen circumstances.

#### **Article 54. Amount of Insurance Claims**

1. The amount of insurance paid to depositors, etc., in a financial institution subject to a single insurable contingency shall be the aggregating amount of principal and interest of claims related to deposits, etc., held by said depositors, etc., in said financial institution (or, if held in more than one aggregating amount by the same party, the total of such amounts) as of the day the insurable contingency occurred, where said principal in the case of deposits, etc., stipulated in Article 2, Paragraph 2, Item (5) herein shall be the amount of said money (the same shall also apply hereinafter), said interest shall refer to the portion other than principal and other amounts as stipulated by Cabinet Order (the same shall also apply hereinafter), and said claims shall be limited to those held at the time said depositors, etc., submit a claim as stipulated in Paragraph 1 of the preceding article (including those no longer held due to a partial payment under the provisions of Paragraph 4 of the same article or a repayment of deposits, etc., in connection with lending under the provisions of Article 127, Paragraph 1 herein; the same shall also apply to the following paragraph and the following article), and said deposits, etc., shall exclude foreign currency deposits and other deposits, etc., designated by Cabinet Order (the same shall also apply to the rest of this article, Article 55, Article 58 and Article 58-2 herein).

2. When the amount of principal stipulated in the preceding paragraph (or, if held in more than one amount by the same party, the total of such amounts) exceeds the amount stipulated by Cabinet Order (hereinafter “maximum insured amount”), the amount of insurance claims shall be the total of said maximum insured amount plus the amount of interest attributable to the principal corresponding to said maximum insured amount. In such cases, when the amount of principal is held in more than one amount by the same party, the principal corresponding to the maximum insured amount shall be the total of the amounts of principal stipulated in each of the following items up to the maximum insured amount stipulated therein.

(1) When there are claims related to deposits, etc., some of which are subject to collateral and others that are not, principal in connection with those that are not subject to collateral shall have priority.

(2) When there are claims related to deposits, etc., that are not subject to collateral and two or more of said deposits, etc., are held by the same party, principal in connection with those that are to be settled first in time shall have priority.

(3) Regarding cases stipulated in the preceding item, when there are claims related to deposits, etc., for which the times of settlement are the same and two or more of said deposits, etc., are held by the same party, those for which the rate of interest is lowest shall have priority (referring to the rate of interest and other amounts defined as such by Cabinet Order; the same shall also apply in the following item).

(4) Regarding cases stipulated in the preceding item, when the interest rate for deposits, etc., is the same and two or more of said deposits, etc., are held by the same party, the principal as designated by the DIC shall have priority.

(5) When there are deposits, etc., that are subject to collateral and two or more of said deposits, etc., are held by the same party, the principal as designated by the DIC shall have priority.

3. Notwithstanding the provisions of the preceding two paragraphs, the amount of insurance claims payable to depositors, etc., affected by the insurable contingency who have received a partial payment as stipulated under the provisions of Paragraph 4 of the preceding article or the repayment of deposits, etc., in connection with a loan under the provisions of Article 127, Paragraph 1 herein with respect to an insurable contingency shall be reduced by an amount equal to said partial payment or said repayment of deposits, etc., in connection with a loan under the provisions of said paragraph (excluding amounts payable by the DIC under the provisions of the following paragraph), as stipulated by Cabinet Order.

4. When the amount of a partial payment as stipulated in Paragraph 4 of the preceding article with respect to depositors, etc., affected by an insurable contingency is in excess of the amount calculated as stipulated by Cabinet Order within the insurance claims

stipulated under the provisions of Paragraphs 1 and 2 above, the depositors, etc., shall repay the amount of said excess to the DIC.

#### **Article 54-2. Special Cases of Deposits, etc., Pertaining to Fixed Contribution Pensions**

1. Notwithstanding the provisions of Paragraphs 1 through 3 of the preceding article, the amount of insurance claims in cases when any one of the depositors, etc., in a financial institution that has been subject to an insurable contingency is an asset management institution as stipulated in Article 2, Paragraph 7, Item (1) b. of the Fixed Contribution Pensions Law (Law No. 88 of 2001) (limited to trustees under the provisions of Article 8, Paragraph 1, Item (1) of said Law), a federation stipulated in Article 2, Paragraph 5 of said Law, or a trustee entrusted with the business stipulated in Article 61, Paragraph 1, Item (3) of said Law (limited to trust companies [including financial institutions engaged in trust operations]) (hereinafter “asset management institution, etc.”) shall be the amount stipulated in Item (1) minus the amount stipulated in Item (2), plus the amount stipulated in Item (3).

(1) Concerning those claims related to deposits, etc., of said asset management institution, etc., that pertain to the investment of accumulated reserves of fixed contribution pensions (referring to accumulated reserves as stipulated in Article 8, Paragraph 1 of the Fixed Contribution Pensions Law; the same shall apply below in this article), the total of the amounts deemed to be insurance payments for each of the subscribers, etc. (referring to subscribers, etc., as stipulated in Article 2, Paragraph 7, Item (1) a. of said Law; the same shall apply below in this article) who have instructed said investment, when the provisions of Paragraphs 1 through 3 of the preceding article are applied in that, of the claims related to deposits, etc., actually held by said asset management institution, etc., against said financial institution on the date on which said insurable contingency occurs (referred to below in this paragraph as “date of the insurable contingency”), those portions that are equivalent to the amount of managed assets per individual of said subscribers, etc. (referring to the amount of managed assets per individual as stipulated in Article 2, Paragraph 13 of said Law; said portions shall be referred to in the following paragraph as “deposit claims equivalent to the amount of managed assets per individual”) are deemed to be claims related to deposits, etc., of said subscribers, etc.

(2) The total of the amounts of insurance claims under the provisions of Paragraphs 1 through 3 of the preceding article with respect to each of the claims related to deposits, etc., actually held by said subscribers in relation to a given financial institution on the date of the insurable contingency.

(3) The amounts of insurance claims under the provisions of Paragraphs 1 through 3 of the preceding article other than those related to the investment of accumulated reserves of fixed contribution pensions within claims related to deposits, etc., held by an asset management institution, etc., in relation to a given financial institution on the date of the insurable contingency.

2. In the event that the provisions of Paragraph 2 of the preceding article are applied under the provisions of Item (1) of the preceding paragraph, the principal corresponding to the maximum insured amount shall be the total of the amounts of principal stipulated in the following items, up to the maximum insured amount.

(1) When there are deposit claims to the amount of managed assets per individual of said subscribers within the claims related to deposits, etc., of said subscribers and those of an asset management institution, etc., before the application of the provisions of Item (1) of the preceding paragraph, the principal of the claims related to deposits, etc., of said subscribers shall have priority.

(2) When there are two or more deposit claims equivalent to the amount of managed assets per individual of said subscribers within the claims related to deposits, etc., of an asset management institution, etc., the principal as designated by the DIC shall have priority.

3. When, in the case of Paragraph 1 above, an insurance claim has been paid to an asset management institution, etc., under the provisions of Article 53, Paragraph 1, an amount calculated by subtracting the amount stipulated in Item (2) of Paragraph 1 above from the amount stipulated in Item (1) of said paragraph pertaining to said subscribers within the amount of said insurance claim shall be accumulated in the managed assets per individual (referring to managed assets per individual as stipulated in Article 2, Paragraph 12 of the Fixed Contribution Pensions Law) of said subscribers.

4. In the application of the provisions stipulated in each of the following items, “Article 54, Paragraphs 1 through 3” in said provisions shall be taken as meaning “Article 54, Paragraphs 1 through 3 and Article 54-2, Paragraphs 1 and 2”.

(1) When, in Paragraph 1 above, the liability related to deposits, etc., of a failed financial institution is assumed by another financial institution: Article 2, Paragraph 11

(2) When, in Paragraph 1 above, there has been a request for payment of insurance claims under the provisions of Article 53, Paragraph 1: Article 58, Paragraph 1

(3) When, in Paragraph 1 above, a failed financial institution transfers part of its business to another financial institution: Article 59, Paragraph 2

5. When, in Paragraph 1 above, in the application of Article 127, Paragraph 1 when the DIC has received an application from a financial institution stipulated in the items of said paragraph for the loan of funds needed for the repayment of deposits, etc., “Article 54, Paragraphs 1 through 3” and “Paragraphs 1 through 3 of said article” in said paragraph shall be taken as meaning “Article 54, Paragraphs 1 through 3 and Article 54-2, Paragraphs 1 and 2”.

## **Article 55. Notification of Insurable Contingencies**

1. A financial institution shall immediately notify the DIC upon the occurrence of an insurable contingency affecting said financial institution.
2. The Prime Minister or the Minister of Health, Labor and Welfare shall immediately notify the DIC upon the occurrence of any of the following:
  - (1) When they have revoked the business license or approved a resolution for dissolution of a financial institution that is under their supervision
  - (2) When they have become aware that a financial institution under their supervision has become the subject of a Category One Insurable Contingency
  - (3) When a notice stipulated under the provisions of Article 125, Paragraph 1 of the Bankruptcy Law (Law No. 71 of 1922) has been received from a court of law
3. Upon receiving a notice as stipulated in Paragraph 1 above or a notice from the Minister of Health, Labor and Welfare as stipulated in the preceding paragraph, the DIC shall immediately notify the Prime Minister and the Minister of Finance of such fact.
4. Upon receiving a notice from the Prime Minister as stipulated in Paragraph 2 above, the DIC shall immediately notify the Minister of Finance of such fact.

**Article 55-2. Determining the Amounts of Claims Related to Deposits, etc.**

1. When becoming aware of the occurrence of an insurable contingency, the DIC shall, as soon as possible, determine the amounts of claims related to deposits, etc., with respect to the financial institution that is the subject of said contingency as of the date of the occurrence of said contingency for each of the depositors, etc., of said financial institution.
2. When deeming it necessary in order to make an immediate decision of the amount of claims related to deposits, etc., as stipulated in the preceding paragraph, the DIC may disclose such fact to the financial institution and may request the submission of the names and addresses of depositors, etc., details of the claims related to deposits, etc., and other materials as stipulated by the ordinances of the Cabinet Office and the Ministry of Finance.
3. Financial institutions that have received a demand for the submission of materials as stipulated in the preceding paragraph shall, without delay, submit these materials as stipulated by ordinances of the Cabinet Office and the Ministry of Finance via an electronic data processing system or by magnetic media (including those that make it possible to record prescribed matters reliably using means equivalent to the above).
4. Financial institutions shall prepare databases related to deposits, etc., for which materials are required to be submitted under the provisions of the preceding paragraph

(referring to aggregated data related to deposits, etc., composed systematically to allow for computerized searches of relevant information), an electronic data processing system, and other relevant measures .

#### **Article 56. Decision to Pay Insurance Claims**

1. In the occurrence of any of the following, and subject to a resolution of the Policy Board, the DIC shall make a decision whether or not to pay insurance claims in connection with an insurable contingency within one month of the date stipulated below:

(1) The date on which the notice stipulated in Article 55, Paragraph 1 or 2 herein is received in connection with a Category One Insurable Contingency.

(2) In addition to the provisions of the preceding item, the date on which the DIC becomes aware of the occurrence of a Category One Insurable Contingency.

(3) The date on which a notice is made as stipulated under the provisions of Article 66, Paragraph 1 herein to the effect that a decision or resolution stipulated in the same calling for a merger involving a financial institution that is the subject of a Category One Insurable Contingency, the business transfer, etc., of said financial institution, the transfer of the insured deposits of said financial institution, or the conversion or transfer of shares of said financial institution has not been obtained.

(4) In addition to the provisions of the preceding items, the date on which the DIC becomes aware of the fact that a decision or resolution stipulated under the provisions of Article 66, Paragraph 1 herein calling for a merger involving a financial institution that is the subject of a Category One Insurable Contingency, the business transfer, etc., of said financial institution, the transfer of the insured deposits of said financial institution, or the conversion or transfer of shares of said financial institution has not been obtained.

2. Subject to a resolution of the Policy Board, the DIC may apply for an extension of the deadline stipulated in the preceding paragraph, and the Prime Minister and the Minister of Finance may grant such an extension provided that the period of the extension does not exceed one month.

3. In the occurrence of any of the following, and subject to a resolution of the Policy Board, the DIC shall make a decision whether or not to make a partial payment as stipulated in Article 53, Paragraph 4 herein in connection with an insurable contingency within one week of the date stipulated below:

(1) The date on which the notice stipulated in Article 55, Paragraph 1 or 2 herein in connection with an insurable contingency is posted.

(2) In addition to the provisions of the preceding item, the date on which the DIC becomes aware of the occurrence of an insurable contingency.

(3) The date on which a notice is made as stipulated under the provisions of Article 66, Paragraph 1 herein to the effect that a decision or resolution stipulated under the same calling for a merger involving a financial institution that is the subject of a Category One Insurable Contingency, the business transfer, etc., of said financial institution, the transfer of the insured deposits of said financial institution, or the conversion or transfer of shares of said financial institution has not been obtained.

(4) In addition to the provisions of the preceding items, the date on which the DIC becomes aware of the fact that a decision or resolution stipulated under the provisions of Article 66, Paragraph 1 herein calling for a merger involving a financial institution that is the subject of a Category One Insurable Contingency, the business transfer, etc., of said financial institution, the transfer of the insured deposits of said financial institution, or the conversion or transfer of shares of said financial institution has not been obtained.

4. Upon making a decision as stipulated in Paragraph 1 or Paragraph 3 above, the DIC shall immediately report the details of said decision to the Prime Minister and the Minister of Finance (or, in the event that the decision is related to a labor bank or the Rokinren Bank, to the Prime Minister, the Minister of Finance and the Minister of Health, Labor and Welfare).

#### **Article 57. Public Notice of Payment of Insurance Claims**

1. In the occurrence of any of the following, and subject to a resolution of the Policy Board, the DIC shall, as soon as possible, determine and post public notice regarding the period in which insurance claims are to be paid, the location of said payment, the method of said payment and other matters as stipulated by Cabinet Order:

(1) When a decision has been made to pay insurance claims in connection with a Category One Insurable Contingency as stipulated under the provisions of paragraph 1 of the preceding article.

(2) When a notice has been posted as stipulated under the provisions of Article 55, Paragraph 1 or 2 herein in connection with a Category Two Insurable Contingency (except related insurable contingencies; the same shall also apply in the following item).

(3) In addition to the provisions of the preceding item, when the DIC becomes aware of the occurrence of a Category Two Insurable Contingency.

2. Upon a decision to make a partial payment as stipulated under the provisions of Article 53, Paragraph 4 herein in accordance with the provisions of Paragraph 3 of the preceding article, and subject to a resolution of the Policy Board, the DIC shall, as soon as possible, post public notice regarding the period in which said partial payment is to be made, the location of said payment, the method of said payment and other matters as stipulated by Cabinet Order.

3. If, after posting the notice as stipulated in Paragraphs 1 and 2 above, there is public notice under the provisions of Article 260 of the Bankruptcy Law or other circumstances as stipulated by Cabinet Order with respect to a given financial institution, the DIC may change the period for payment that was originally posted under the provisions of said paragraphs.
4. When the period for payment has been changed as stipulated in the preceding paragraph, the DIC shall, without delay, post public notice of such fact.
5. The provisions of Paragraph 4 of the preceding paragraph shall apply mutatis mutandis to matters determined under the provisions of Paragraphs 1 or 2 above and any change of the period for payment as stipulated in Paragraph 3 above.

#### **Article 58. Acquisition of Claims**

1. When a request is filed for payment of insurance claims under the provisions of Article 53, Paragraph 1 herein, the DIC shall, as stipulated by Cabinet Order, acquire claims related to deposits, etc., in the name of depositors, etc., holding such with respect to a financial institution, equivalent in amount to the insurance claims to be paid under the provisions of Article 54, Paragraphs 1 through 3 herein to depositors, etc., filing such requests.
2. With the acquisition of the claims related to deposits, etc., under the provisions of the preceding paragraph, when such deposits, etc., are subject to collateral and while said collateral remain in force, the DIC may, as stipulated by Cabinet Order, defer payment of any insurance claims (limited to the portion of such claims acquired by the DIC) within the limit of the amount of claims related to deposits, etc., subject to said collateral.
3. When a partial payment is made to depositors, etc., under the provisions of Article 53, Paragraph 4 herein, the DIC shall acquire the right of claims related to deposits, etc., held by the said depositors, etc., with a financial institution consistent with the amount of said payment (excluding amounts that are to be repaid to the DIC under the provisions of Article 54, Paragraph 4 herein).

#### **Article 58-2. Matters Related to Taxation**

1. In cases where depositors, etc., receive insurance payments for claims in connection with their deposits, etc. (referred to herein as “deposit claims,” excluding those pertaining to bonds stipulated under the provisions of Article 2, Paragraph 2, Item (5) herein that have been issued by discounted methods), when there is interest associated with deposit claims acquired by the DIC with respect to the insurance payment received, the amount of said interest shall be regarded as the amounts stipulated in each of the following items for deposits, etc., that are the subject of said deposit claims according to the respective category, subject to the provisions of the Income Tax Law (Law No. 33 of 1965) and other laws and ordinances related to income tax:

(1) Deposits: Interest on said deposits

(2) Installment savings: Reimbursable benefits based on agreements for installment savings (referring to reimbursable benefits as stipulated under the provisions of Article 174, Item (3) of the Income Tax Law)

(3) Installment contributions stipulated under the provisions of Article 2, Paragraph 2, Item (3) herein: Reimbursable benefits based on agreements for installment contributions (referring to reimbursable benefits as stipulated under the provisions of Article 174, Item (4) of the Income Tax Law)

(4) Money stipulated under the provisions of Article 2, Paragraph 2, Item (4) herein: Distributions of profits of money trusts as stipulated in the same item

(5) Money stipulated under the provisions of Article 2, Paragraph 2, Item (5) herein: Interest on bonds as stipulated in the same item (excluding bonds issued by discounted methods)

2. In the application of the provisions of the preceding paragraph, any necessary matters concerning the application of Article 4-2 and Article 4-3 of the Special Taxation Measures Law (Law No. 26 of 1957) shall be as stipulated by Cabinet Order.

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

##### **Article 59. Applications for Financial Assistance**

1. A financial institution undertaking a merger, etc. (hereinafter “assuming financial institution”) or a bank holding company undertaking a merger, etc. (hereinafter “assuming bank holding company”) may apply to the DIC for measures stipulated in the following items to assist in the said merger, etc. (hereinafter “financial assistance”; excluding assistance to companies categorized in Article 2, Paragraph 5, Item (5) herein with respect to the measures stipulated in Item (6) below):

(1) Monetary grant

(2) Loan or deposit of funds

(3) Purchase of assets

(4) Guarantee of liabilities

(5) Assumption of financial obligations

(6) Subscription of preferred shares, etc.

(7) Loss sharing

2. The term “merger, etc.” as used in the preceding paragraph, shall refer to the following:

(1) A merger whereby the financial institution merging with the failed financial institution continues its existence subsequent to the merger

(2) A merger whereby the financial institution merging with the failed financial institution establishes a new financial institution by virtue of the merger

(3) A business transfer, etc., whereby a failed financial institution transfers its business to another financial institution (or, in cases involving a partial transfer of business, limited to those accompanied by the assumption of financial obligations related to deposits, etc., of a failed financial institution when including financial obligations related to deposits, etc., corresponding to the amount of insurance claims calculated under the provisions of Article 54, Paragraph 1 through 3 herein)

(3-2) A transfer of insured deposits

(4) Acquisition of the shares of a failed financial institution by another financial institution or bank holding company for the purpose of assuring sound and appropriate business of said failed financial institution as deemed necessary by the Prime Minister and the Minister of Finance

3. Financial assistance undertaken under the provisions of Paragraph 1 above to facilitate a merger as stipulated in Paragraph 2, Item (2) above shall be given to the assuming financial institution or financial institution that is established through any such merger, and in the event that there are two or more assuming financial institutions involved in said merger, the application stipulated in Paragraph 1 above shall be made in the joint names of the assuming financial institutions involved.

4. The purchase of assets under the provisions of Paragraph 1, Item 3 above shall be conducted with respect to the assets of a failed financial institution that is the subject of a merger, etc. (referring to mergers, etc. as stipulated in Paragraph 2 above; the same shall also apply hereinafter) or assets provided for in the following items according to the type of merger, etc.; when an application for financial assistance under the provisions of Paragraph 1 above includes the purchase of assets of a failed financial institution that is the subject of a merger. etc., any assuming financial institution or assuming bank holding company involved in said merger, etc. shall apply to the DIC in the joint names of all related parties for the DIC to purchase said assets:

(1) In the event of a merger under the provisions of Paragraph 2, Item (1) above, the assets of the financial institution that is to continue its existence subsequent to the merger (limited to the assets of a failed financial institution prior to said merger)

(2) In the event of a merger under the provisions of Paragraph 2, Item (2) above, the assets of the new financial institution to be established by virtue of said merger (limited to the assets of a failed financial institution prior to said merger)

(3) In the event of business transfer, etc., under the provisions of Paragraph 2, Item (3) above, the assets of the other financial institution in the said item assumed by virtue of said business transfer, etc.

(4) In the event of the acquisition of shares under the provisions of Paragraph 2, Item (4) above, the assets of the financial institution whose shares have been so acquired

5. Loss sharing as stipulated under the provisions of Paragraph 1, Item (7) above shall be carried out with respect to loan claims that are assets as stipulated in the respective items of the preceding paragraph according to the type of merger, etc.

6. A financial institution or bank holding company that has submitted an application under the provisions of Paragraph 1 or Paragraph 4 above shall, as soon as possible, report such fact to the Prime Minister (or, if a labor bank or the Rokinren Bank, to the Prime Minister and the Minister of Health, Labor and Welfare).

7. Upon receipt of an application under the provisions of Paragraph 1 or Paragraph 4 above, the DIC shall, as soon as possible, report such fact to the Minister of Finance.

#### **Article 59-2. Special Cases of Application for Financial Assistance**

1. An assuming financial institution that is party to a merger, etc. (limited to the transfer of insured deposits, or cases where a business transfer, etc., occurring under the provisions of Paragraph 2, Item (3) of the preceding article involves the transfer of part of the business of a failed financial institution to another financial institution) may apply to the DIC to carry out any financial assistance with respect to said failed financial institution (limited to that stipulated under the provisions of Paragraph 1, Item (1) of the same article) in order to insure the equal treatment of creditors of said failed financial institution.

2. Applications submitted under the provisions of the preceding paragraph shall be made jointly with the failed financial institution that is party to said merger, etc.

3. The provisions of Paragraph 6 of the preceding article shall apply mutatis mutandis with respect to assuming financial institutions and failed financial institutions submitting applications under the provisions of Paragraphs 1 and 2 above, and the provisions of Paragraph 7 of said article shall apply with respect to the DIC when receiving applications submitted under the provisions of Paragraphs 1 and 2 above.

#### **Article 60.**

1. A financial institution designated by the Prime Minister that, for the purpose of facilitating a merger, etc., extends loans or conducts other activity stipulated by Cabinet Order with respect to a financial institution that is party to said merger, etc. (excluding a failed financial institution) or a bank holding company that is party to said merger, etc.

may apply to the DIC for financial assistance (limited to that stipulated under the provisions of Article 59, Paragraph 1, Item (2) or Item (4)).

2. A financial institution submitting an application under the provisions of the preceding paragraph shall, as soon as possible, report such fact to the Prime Minister (or, if a labor bank or the Rokinren Bank, to the Prime Minister and the Minister of Health, Labor and Welfare).

3. Upon receipt of an application as stipulated in Paragraph 1 above, the DIC shall, as soon as possible, report such fact to the Minister of Finance.

#### **Article 61. Authorization of Eligibility**

1. A failed financial institution and assuming financial institution or a failed financial institution and assuming bank holding company party to a merger, etc. subject to application under the provisions of Article 59, Paragraph 1; Article 59-2, Paragraph 1; or Article 60, Paragraph 1 herein must receive the authorization of the Prime Minister concerning said merger, etc. by the time of the application stipulated in said provisions.

2. Applications for authorization stipulated in the preceding paragraph must be made in the joint names of both the failed financial institution and the assuming financial institution or the failed financial institution and the assuming bank holding company.

3. The Prime Minister may grant authorization under the provisions of Paragraph 1 above only upon satisfaction of all of the following requirements:

(1) The merger, etc. must contribute to the protection of depositors and other creditors.

(2) Financial assistance to be provided by the DIC must be indispensable to the facilitation of the merger, etc.

(3) The merger, etc. must be such that, if not carried out and the failed financial institution party to the merger, etc. cease all business or is dissolved, it could cause severe hindrance to the smooth flow of funds and convenience of users in the region or sector in which said failed financial institution conducts its business.

4. When granting authorization under the provisions of Paragraph 1 above with respect to labor banks or the Rokinren Bank, the Prime Minister must receive consent for such from the Minister of Health, Labor and Welfare.

5. When granting authorization under the provisions of Paragraph 1 above, the Prime Minister must provide a clear indication as to which financial institution receiving authorization is a failed financial institution.

6. When granting authorization under the provisions of Paragraph 1 above, the Prime Minister shall report such fact to the DIC.

7. Upon receipt of a notification as stipulated in the preceding paragraph, the DIC shall, as soon as possible, report such fact to the Minister of Finance.

8. If a company, seeking to acquire the shares of a failed financial institution in a manner that will result in said failed financial institution becoming a subsidiary bank or subsidiary long-term credit bank of said company, submits an application for approval under the provisions of Article 52-2, Paragraph 1 of the Bank Law or Article 16-2, Paragraph 1 of the Long-Term Credit Bank Law (referred herein as “holding company approval”), the Prime Minister may not grant authorization under the provisions of Paragraph 1 above unless holding company approval has already been granted to said company.

## **Article 62. Recommendation of Mergers**

1. In cases where there is no application under the provisions of Paragraph 2 of the preceding article, when a financial institution has failed and is deemed to satisfy the requirements stipulated in Paragraph 3, Item (3) of the preceding article, the Prime Minister may provide documentation to recommend a merger, etc. (excluding mergers under the provisions of Article 59, Paragraph 2, Item (2) herein; limited to cases in which said merger, etc. contributes to the protection of depositors and other creditors and in which financial assistance is indispensable to the facilitation of said , etc.) between the failed financial institution and another financial institution or the failed financial institution and a bank holding company.

2. Notwithstanding the provisions of Paragraph 1 of the preceding article, another financial institution or bank holding company receiving recommendation under the provisions of the preceding paragraph may submit an application under the provisions of Article 59, Paragraph 1 or Article 59-2, Paragraph 1 herein.

3. Notwithstanding the provisions of Paragraph 1 of the preceding article, a financial institution designated by the Prime Minister under the provisions of Article 60, Paragraph 1 herein that is extending loans under the provisions of Paragraph 1 of the same article or conducting other activity stipulated by Cabinet Order for the purpose of assisting with the merger, etc. of another financial institution or bank holding company that is receiving recommendation as stipulated in Paragraph 1 above may submit an application under the provisions of Article 60, Paragraph 1 herein.

4. The provisions of Paragraphs 4 through 7 of the preceding article shall apply mutatis mutandis to the recommendation stipulated in Paragraph 1 above.

5. When deeming it necessary for the purpose of providing recommendation under the provisions of Paragraph 1 above, the Prime Minister may, to the degree that such is necessary, provide other financial institutions or bank holding companies with materials concerning the condition of business or situation of assets of a failed financial institution or a financial institution deemed highly probable to become a failed financial

institution, or may take other preparatory measures necessary to render said recommendation.

6. The Prime Minister may request the DIC to provide cooperation necessary to render recommendation as stipulated in Paragraph 1 above or take other preparatory measures necessary to render said recommendation as stipulated in the preceding paragraph.

### **Article 63.**

Deleted

### **Article 64. Financial Assistance**

1. Subject to a resolution of the Policy Board, when an application is submitted under the provisions of Article 59, Paragraphs 1 or 4; Article 59-2, Paragraph 1; or Article 60, Paragraph 1 herein, the DIC shall, without delay, make a decision whether to grant or deny the financial assistance to which said application pertains.

2. In the event of a decision as stipulated in the preceding paragraph, the Policy Board shall take into consideration the financial condition of the DIC, estimated costs necessary for any grant of financial assistance pertaining to said decision, and estimated costs necessary in case for paying insurance claims for insurable contingencies affecting the failed financial institution subject to said financial assistance, and shall take care to make effective use of the DIC's assets.

3. When a decision as stipulated in Paragraph 1 above is reached, the DIC shall immediately report such fact to the Prime Minister and the Minister of Finance (or in cases where a labor bank or the Rokinren Bank is to be party to a merger etc., to the Prime Minister, the Minister of Finance and the Minister of Health, Labor and Welfare).

4. When making a decision to provide financial assistance as stipulated in Paragraph 1 above, the DIC shall conclude an agreement regarding said financial assistance with the financial institution or bank holding company involved in the application for said financial assistance.

5. When the financial assistance that is the subject of an agreement as stipulated in the preceding paragraph includes loss sharing, the financial institution or bank holding company that is party to said agreement shall be stipulated to pay a portion of any profit realized in connection with credit extended under the loss sharing to the DIC, or shall pledge to compel any party who succeeds to said loan claims under said merger, etc. to pay said profits to the DIC.

### **Article 64-2. Financial Assistance for the Subscription of Preferred Shares, etc.**

1. When an application submitted under the provisions of Article 59, Paragraph 1 herein is for the subscription of preferred shares, etc., the assuming financial institution or assuming bank holding company, etc. (excluding companies stipulated under the

provisions of Article 2, Paragraph 5, Item (5) herein; the same shall also apply in the remainder of this Article) that is party to said application shall also, concurrent with said application, submit to the DIC a plan as stipulated by Cabinet Order stating the measures that will be employed to ensure financial soundness.

2. When a resolution made under the provisions of Paragraph 1 of the preceding article concerns an application for the subscription of preferred shares, etc., the Policy Board may adopt a resolution to implement said subscription provided that said subscription does not exceed the range necessary for a merger, etc. to be conducted in a smooth manner in view of the equity capital position of the assuming financial institution or assuming bank holding company that is party to said application, and satisfies other criteria established and publicly announced by the Prime Minister, the Minister of Finance and the Minister of Health, Labor and Welfare.

3. Subsequent to a resolution by the Policy Board as stipulated in the preceding paragraph, when making a decision to grant financial assistance in connection with an application for the subscription of preferred shares, etc., as stipulated under the provisions of Article 59, Paragraph 1 herein, the DIC shall obtain prior approval for such from the Prime Minister and the Minister of Finance (or, when the party to such application is a labor bank or the Rokinren Bank, the Prime Minister, the Minister of Finance and the Minister of Health, Labor and Welfare).

4. Until the time of final disposition, final amortization using profit, redemption or receipt of final settlement against all preferred shares, etc., acquired by the subscription of such under the provisions of Paragraph 1 of the preceding article (after any acquisition of preferred shares, etc., in the form of preferred shares or subordinated corporate bonds, such shall include other forms of shares and preferred shares into which said preferred shares may be converted, shares resulting from said conversion that are subsequently acquired by any divestiture or merger, and shares into which said subordinated corporate bonds may be converted together with any shares resulting from said conversion that are subsequently acquired by any divestiture or merger; referred to herein as “acquired preferred shares”) or loan claims acquired through the subscription of preferred shares, etc., under the provisions of said paragraph (referred to herein as “acquired loan claims”), the DIC may require the assuming financial institution or assuming bank holding company related to said acquired preferred shares or acquired loan claims to submit status reports regarding the execution of the plan submitted under the provisions of Paragraph 1 above, and may make public disclosure of same.

#### **Article 65. Reporting of Conclusion of Merger, etc. Agreement**

When a financial institution or bank holding company has received authorization under the provisions of Article 61, Paragraph 1 herein or recommendation under the provisions of Article 62, Paragraph 1 herein (referred to herein as “authorization of eligibility, etc.”) and has concluded an agreement for merger, etc. under authorization of eligibility, etc., said financial institution or bank holding company shall immediately report the fact and shall submit a copy of said merger, etc. agreement (or, if a financial institution or bank holding company concluding an agreement with the DIC as

stipulated in Article 64, Paragraph 4 herein, said merger, etc. agreement together with documentation containing the contractual matters as stipulated under the provisions of said paragraph) to the Prime Minister (or, if related to a merger, etc. of a labor bank or the Rokinren Bank, to the Prime Minister and the Minister of Health, Labor and Welfare).

**Article 66. Reporting of Resolutions Adopted at Shareholders' Meetings, etc.**

1. In cases where a resolution of a shareholders' meeting, etc., is required with respect to a merger, business transfer, etc., transfer of insured deposits, stock swap or conversion of shares under the provisions of the Law, the Commercial Code or other laws, or the Articles of Incorporation, a financial institution in receipt of authorization of eligibility, etc., shall immediately report whether or not said resolution has been adopted with respect to a merger, business transfer, etc., transfer of insured deposits, stock swap or conversion of shares under authorization of eligibility to the Prime Minister (or, if a labor bank or the Rokinren Bank, to the Prime Minister and the Minister of Health, Labor and Welfare) together with submission of the minutes of said shareholders' meeting, etc., and shall also notify such facts to the DIC. The same shall also apply in cases where a resolution of a shareholders' meeting, etc., is required with respect to a stock swap by a bank holding company under authorization of eligibility, etc., under the provisions of the Law, the Commercial Code or the Articles of Incorporation, and whether or not a resolution has been adopted with respect to said stock swap that is the subject of said authorization of eligibility, etc.
2. The term "shareholders' meeting, etc." as used in the preceding paragraph shall refer to shareholders' meetings at banks, etc. (or, in cases subject to the provisions of Article 7, Paragraph 4 of the Law Concerning Amalgamation and Conversion of Financial Institutions, general meetings of shareholders or specified meetings of shareholders), or general meetings or representative meetings in the case of a Shinkin bank, etc.
3. In the occurrence of any of the following, a financial institution or bank holding company that has received authorization of eligibility, etc., under the provisions of Paragraph 1 above shall immediately report the fact of such to the Prime Minister (or, if a labor bank or the Rokinren Bank, to the Prime Minister and the Minister of Health, Labor and Welfare) and then notify the same to the DIC:
  - (1) In cases where the party receiving authorization of eligibility, etc., under the provisions of Paragraph 1 above is a bank, etc., or bank holding company and seeks to carry out a merger without the approval of the general shareholders' meeting in accordance with the provisions of Article 413-3, Paragraph 1 of the Commercial Code (including cases to which the provisions of Article 7, Paragraph 2 of the Law Concerning Amalgamation and Conversion of Financial Institutions apply *mutatis mutandis*), to receive a full transfer of business without a resolution of the general shareholders' meeting in accordance with the provisions of Article 245-5, Paragraph 1 of the Commercial Code, or to carry out a stock swap without the approval of the general shareholders' meeting in accordance with the provisions of Article 358, Paragraph 1 of the Commercial Code, when said bank, etc., or bank holding

company is subject to the provisions of Article 413-3, Paragraph 8 (including cases for which the provisions of Article 12-2, Paragraph 1 of the Law Concerning Amalgamation and Conversion of Financial Institutions apply mutatis mutandis), Article 245-5, Paragraph 6 or Article 358, Paragraph 8 of the Commercial Code.

(2) In cases where the financial institution receiving authorization of eligibility, etc., under the provisions of Paragraph 1 above seeks to obtain permission for a business transfer, etc., by court order in lieu of a resolution of shareholders' meeting, etc., (referring to shareholders' meeting, etc., as stipulated in the preceding paragraph) in accordance with the provisions of Article 87 herein or Article 43 (including cases for which the provisions of Article 178-7 of the Law Concerning Special Cases of Reorganization Proceedings for Financial Institutions apply mutatis mutandis) of the Civil Rehabilitation Law (Law No. 225 of 1999), when said financial institution has not received said permission.

4. Upon receipt of a notice as stipulated in Paragraphs 1 or 3 above, the DIC shall immediately report such fact to the Minister of Finance.

#### **Article 67. Special Cases of Continuation of Business**

1. In cases where there is succession by assumption of business or transfer of insured deposits under authorization of eligibility, etc., whereby certain rights and obligations under an agreement cannot be carried out due to legal or other limitations, the assuming financial institution that has received authorization of eligibility, etc., may continue the business that is the subject of such agreement provided that such occurs prior to the stated deadline when such deadline is specified or within two years from the date of said succession when no deadline is specified therein.

2. In the event of unusual circumstances affecting the interests of parties using the business that is the subject of an agreement as stipulated in the preceding paragraph, an assuming financial institution that has received authorization of eligibility, etc., may prepare a plan as to how said business is to be concluded within a specified period of time, and when said plan has received approval from the Prime Minister (or, if a labor bank or the Rokinren Bank, from the Prime Minister and the Minister of Health, Labor and Welfare), said assuming financial institution may continue said business by renewing said agreement following expiration of the deadline specified therein, or beyond the term stipulated in the preceding paragraph if no deadline is specified therein, within the amount stipulated in the agreement on the date stipulated for assumption of business or transfer of insured deposits, and in accordance with the terms of said plan.

#### **Article 68. Consultation with Minister of Finance**

If the DIC is to provide financial assistance for the purpose of facilitating a merger, etc. under authorization of eligibility, etc., but the financial condition of the DIC has deteriorated such that there is deemed to be a serious threat posed to the maintenance of an orderly financial system, the Prime Minister shall consult the Minister of Finance

beforehand with respect to appropriate measures to be taken in order to maintain an orderly financial system.

#### **Article 69. Additional Financial Assistance**

1. Subsequent to a merger, etc. facilitated by a grant of financial assistance and when deemed necessary, in cases where the DIC receives an application for additional financial assistance from either the assuming financial institution or assuming bank holding company that is the subject of said financial assistance or the financial institution that is newly established by a merger facilitated by said financial assistance, the DIC may grant such additional financial assistance (referred to in Paragraph 4 as “additional financial assistance”) to the financial institution or bank holding company that has submitted said application.

2. Purchase of assets pursuant to an application stipulated in the preceding paragraph shall be with respect to assets of a failed financial institution that is subject to merger, etc. (limited to the partial transfer of business from a failed financial institution to another financial institution within the scope of business transfer, etc., or the transfer of insured deposits under the provisions of Article 59, Paragraph 2, Item (3) herein) or the assets stipulated in the following items depending on the type of merger, etc. stipulated therein; and when any financial assistance subject to the application stipulated in the preceding paragraph involves the purchase of the assets of a failed financial institution involved with a merger, etc. carried out thereby (limited to the partial transfer of business from a failed financial institution to another financial institution within the scope of business transfer, etc., or the transfer of insured deposits under the provisions of Paragraph 2, Item (3) of the said article; the same shall also apply below in this paragraph and in Paragraph 4 below), the assuming financial institution that is party to said merger, etc. shall submit an application to the DIC jointly signed by the subject failed financial institution for the purchase of said assets by the DIC:

(1) Merger as stipulated under the provisions of Article 59, Paragraph 2, Item (1) herein: Assets of the financial institution that is to survive by virtue of said merger (limited to assets of the failed financial institution prior to said merger).

(2) Merger as stipulated under the provisions of Article 59, Paragraph 2, Item (2) herein: Assets of the financial institution that is to be newly established by virtue of said merger (limited to assets of the failed financial institution prior to said merger).

(3) Business transfer, etc., as stipulated under the provisions of Article 59, Paragraph 2, Item (3) herein: Assets of the other financial institution stipulated in said item that have been acquired by said business transfer, etc.

(4) Acquisition of shares as stipulated under the provisions of Article 59, Paragraph 2, Item (4) herein: Assets of the financial institution subject to said acquisition of shares.

3. Loss sharing pursuant to an application stipulated in Paragraph 1 above shall be provided with respect to loan claims that are assets as stipulated in the items of the preceding paragraph depending on the type of merger, etc. stipulated therein.
4. The provisions of Article 59, Paragraphs 6 and 7, Article 64 and Article 64-2 herein shall apply mutatis mutandis with respect to applications submitted under the provisions of Paragraphs 1 and 2 above, the provisions of Article 59-2 with respect to assuming financial institutions that are party to merger, etc. facilitated by financial assistance, and the provisions of Article 67 and Article 68 with respect to additional financial assistance, respectively. In such cases, “and estimated costs necessary in case for paying insurance claims for insurable contingencies affecting the failed financial institution” in Article 64, Paragraph 2 herein shall be amended to read “estimated costs necessary for financial assistance pursuant to a resolution of the Policy Board occurring prior to said resolution with respect to the failed financial institution that is the subject of said financial assistance, and estimated costs necessary in case for paying insurance claims for insurable contingencies affecting the failed financial institution”; “financial assistance for the purpose of facilitating a merger, etc. under authorization of eligibility, etc.,” in Article 68 herein shall be amended to read “additional financial assistance”; and in addition to the above, other necessary technical amendments shall be as stipulated by Cabinet Order.

#### **CHAPTER 4. PURCHASE OF DEPOSITS AND OTHER CLAIMS**

##### **Article 70. Purchase of Deposits and Other Claims**

1. In cases stipulated in Article 57, Paragraph 1 herein (including cases where it is deemed necessary to protect the depositors, etc., of a financial institution that is the subject of a Category One Insurable Contingency), subject to a resolution of the Policy Board, the DIC may make a decision to purchase deposits and other claims that are the subject of an insurable contingency under each of the provisions of the said paragraph (deposits and other claims which depositors, etc., held with a financial institution that is subject to said insurable contingency [excluding deposits, etc., stipulated by Cabinet Order], deposits that are not subject to collateral; the same shall also apply hereinafter).
2. Purchases stipulated in the preceding paragraph shall be made after estimating an amount based on the claims submitted by depositors, etc., holding deposits and other claims that are the subject of an insurable contingency as stipulated in the preceding paragraph within the period of time stipulated for any such purchase that is contained in the public notice posted under the provisions of Article 72, Paragraph 1 or 3 herein, provided, however, that when collecting the deposits and other claims subject to purchase, the DIC shall deduct an amount of costs necessary to execute said purchase from the amount of claims collected as stipulated by Cabinet Order, and if said amount exceeds the amount estimated to execute said purchase, said excess amount shall be paid to said depositors, etc.
3. The estimated amount stipulated in the preceding paragraph shall be calculated by first deducting any amounts of interest, distribution of profit or other amounts stipulated

by Cabinet Order earned during the period between the date of the insurable contingency and the date of purchase from the amount of deposits and other claims purchased by the DIC from the depositors, etc., and multiplying the resulting amount by a rate determined by the DIC under the provisions of Paragraph 1 of the following article (hereinafter “estimated proceeds payment rate”).

4. The provisions of Article 53, Paragraph 3 herein shall apply mutatis mutandis to the payment of the amount estimated for payment of purchases under the provisions of Paragraph 2 above (hereinafter “payment of estimated proceeds”).

5. Notwithstanding the provisions of Paragraph 2 above, when claims are not submitted by depositors, etc., within the period of time stipulated for purchase in Paragraph 2 above due to calamity or other unavoidable circumstances, the DIC may purchase the deposits and other claims of said depositors, etc., even after the expiration of the deadline stipulated for said purchase.

#### **Article 71. Estimated Proceeds Payment Rate**

1. Subject to a resolution of the Policy Board, the DIC shall establish an estimated proceeds payment rate for purchases in connection with a decision made under the provisions of Paragraph 1 of the preceding article, and shall obtain approval for said decision from the Prime Minister and the Minister of Finance.

2. When adopting a resolution regarding the estimated proceeds payment rate as stipulated in the preceding paragraph, the Policy Board shall give due consideration to the financial condition of the financial institution that is the subject of any decision under the provisions of Paragraph 1 of the preceding article together with the estimated amount of recovery against deposits and other claims in the event that said financial institution has been made subject to bankruptcy proceedings, with due concern for the efficient employment of DIC assets.

3. When granting approval as stipulated in Paragraph 1 above, if the financial institution under management is a labor bank or the Rokinren Bank, the Prime Minister and the Minister of Finance shall also obtain the consent of the Minister of Health, Labor and Welfare.

#### **Article 72. Public Notice of Purchase**

1. Subject to a resolution of the Policy Board, when approval has been obtained under the provisions of Article 71, Paragraph 1 of the preceding article, the DIC shall, as soon as possible, make a decision of the term for purchase of deposit and other claims, the location of said purchase, the method of payment of estimated proceeds, and other matters as stipulated by Cabinet Order, and shall post public notice of said matters together with the approved estimated proceeds payment rate.

2. With respect to a financial institution for which public notice has been posted as stipulated in the preceding paragraph, when public notice under the provisions of

Article 260 of the Bankruptcy Law is subsequently posted with respect to said financial institution or there are other circumstances as stipulated by Cabinet Order, the DIC may change the term for purchase that was posted in said public notice.

3. If the term for purchase is changed under the provisions of the preceding paragraph, the DIC shall, without delay, post public notice of said change.

4. When making any payment under the proviso to Article 70, Paragraph 2 herein, the DIC shall, subject to a resolution of the Policy Board, determine in advance the amount of payment, the term for payment and other matters as stipulated by Cabinet Order, and shall post public notice of said matters.

5. The provisions of Article 56, Paragraph 4 herein shall apply mutatis mutandis with respect to any decision of the matters stipulated in Paragraph 1 above, any change of the term for payment stipulated in Paragraph 2 above and any matters stipulated in the preceding paragraph.

### **Article 73. Matters Related to Taxation**

1. In the event that depositors, etc., have received payment of estimated proceeds against deposits and other claims held (excluding bonds pertaining to deposits, etc., as stipulated under the provisions of Article 2, Paragraph 2, Item (5) herein that have been issued by discounted methods; the same shall also apply below in this article), when the amount received is equal to or less than the amount of principal of said deposits and other claims outstanding on the day established for determining said payment of estimated proceeds as stipulated by Cabinet Order (hereinafter in this article “amount of principal on the cutoff date”), the estimated amount of payment shall be regarded as the amount of principal to be repaid with respect to said deposits and other claims; and when the amount of estimated payment exceeds the amount of principal on the cutoff date, the portion of the estimated payment that corresponds to said amount of principal on the cutoff date shall be regarded as the amount of principal to be repaid, and the amount of any excess above the estimated payment amount shall be regarded as amounts stipulated in each of the following items for the deposits, etc., that are the subject of said deposits and other claims, subject to the provisions of the Income Tax Law and other laws related to income tax:

(1) Deposits: Interest on said deposits

(2) Installment savings: Reimbursable benefits based on agreements for installment savings (referring to reimbursable benefits as stipulated under the provisions of Article 174, Item (3) of the Income Tax Law)

(3) Installment contributions stipulated under the provisions of Article 2, Paragraph 2, Item (3) herein: Reimbursable benefits based on agreements for installment contributions (referring to reimbursable benefits as stipulated under the provisions of Article 174, Item (4) of the Income Tax Law)

(4) Money stipulated under the provisions of Article 2, Paragraph 2, Item (4) herein:  
Distributions of profits of money trusts as stipulated in the same item

(5) Money stipulated under the provisions of Article 2, Paragraph 2, Item (5) herein:  
Interest on bonds as stipulated in the same item (excluding bonds issued by  
discounted methods)

2. In cases where depositors, etc., have received payments under the proviso to Article 70, Paragraph 2 herein, the amount of payments so received with respect to deposits and other claims for payment (referred to herein as “settlement payment amount”) shall be regarded as the amounts stipulated in each of the following items, subject to the provisions of the Income Tax Law and other laws related to income tax:

(1) Cases where the total of the settlement payment amount and estimated payment amount related to deposits and other claims (referred in the following item as “total of the settlement payment amount and estimated payment amount”) is less than the amount of principal on the cutoff date : Amount of principal to be repaid with respect to deposits and other claims

(2) Cases where the total of the settlement payment amount and estimated payment amount exceeds the amount of principal on the cutoff date with respect to said deposits and other claims, and the estimated payment amount against said deposits and other claims is less than the amount of principal on the cutoff date: Settlement payment amounts as stipulated in each of the following sub-items

a. Amount remaining after deduction of settlement payment amount from the amount of principal on the cutoff date: Amount of principal to be repaid with respect to said deposits and other claims

b. Amount remaining after deduction of amount of principal on the cutoff date from the total of the settlement payment amount and estimated payment amount: Amounts stipulated under the categories of deposits, etc., in each of the items of the preceding paragraph

(3) Cases where the settlement payment amount with respect to said deposits and other claims exceeds the amount of principal on the cutoff date: Amounts stipulated under the categories of deposits, etc., in each of the items of the preceding paragraph

3. Matters necessary for the application of special cases stipulated under the provisions of Article 4-2 and Article 4-3 of the Special Taxation Measures Law and the provisions of Paragraphs 1 and 2 above in cases subject to said provisions shall be as stipulated by Cabinet Order.

## **CHAPTER 5. MANAGEMENT BY FINANCIAL ADMINISTRATOR**

### **Article 74. Order for Management of Business and Assets**

1. In cases where it is deemed that the assets of a financial institution are insufficient to honor its financial obligations, the business or financial condition of a financial institution is such that there is a genuine concern that it will cease to repay against deposits, etc., or a financial institution has actually ceased to repay against deposits, etc., the Prime Minister (or, if the financial institution coming under the provisions of this paragraph is a labor bank or the Rokinren Bank, the Prime Minister and the Minister of Health, Labor and Welfare; the same shall also apply in Paragraph 2 below; Paragraph 4 below (including cases where said provisions apply mutatis mutandis to Paragraph 2 of the following article); Paragraph 5 below; Paragraph 1 of the following article; Article 77, Paragraphs 2 through 4; Article 79, Paragraph 1 (including cases where said provisions apply mutatis mutandis to Paragraph 3 of the same article); Article 80; Article 84, Paragraph 1; and Article 90 herein) may order that the business or assets of said financial institution be placed under the management of a financial administrator (referred to herein as “order for management”) when it is deemed that the conditions stipulated in either of the following items exist:

- (1) The business management of said financial institution is markedly inappropriate
- (2) Without a merger, etc., the cessation of the entire business or the dissolution of said financial institution could cause severe hindrance to the smooth flow of funds and convenience of users in the region or sector in which said failed financial institution conducts its business.

2. The Prime Minister may issue an order for management with respect to a financial institution when, after receiving an application stating that the condition of assets of said financial institution are such that there is a genuine concern that it will cease to repay its financial obligations, it is deemed that such concern is based on fact and that the conditions stipulated in either of the items of the preceding paragraph exist.

3. Financial institutions (excluding failed financial institutions) that have become subject to an order for management as stipulated in Paragraphs 1 and 2 above shall be regarded as failed financial institutions with respect to the application of the Law.

4. Upon issuance of an order for management, the Prime Minister shall post public notice of said fact in the Official Gazette.

5. In cases where it is deemed that the assets of a financial institution are insufficient to honor its financial obligations, or the business or financial condition of a financial institution is such that there is a genuine concern that it will cease to repay deposits, etc., said financial institution shall submit a written notification of this fact and explanation of the circumstances underlying it to the Prime Minister.

#### **Article 75. Cancellation of an Order for Management**

1. The Prime Minister shall cancel an order for management when it is deemed that the need for such no longer exists.

2. The provisions of Paragraph 4 of the preceding article shall apply mutatis mutandis to the provisions of the preceding paragraph.

#### **Article 76. Prohibition of Name Transfer of Shareholders**

When a financial institution subject to an order for management is a bank, etc., the Prime Minister may prohibit any name transfer of shareholders when such is deemed necessary.

#### **Article 77. Appointment of Financial Administrators**

1. Upon issuance of an order for management, a financial administrator shall be given sole authority to represent the financial institution under management, to execute its business and to manage and dispose of its assets. Said authority shall be the same as that of a director (or, if the financial institution under management is a Shinkin bank, etc., the party acting in a capacity similar to director; the same shall also apply in the remainder of this Chapter) as stipulated under the provisions of Article 247 of the Commercial Code (including cases to which the provisions of Article 49 of the Shinkin Bank Law, Article 54 of the Law for the Cooperative Association of Small and Medium Enterprises and Article 54 of the Labor Bank Law apply mutatis mutandis), Article 280-15, Article 363, Article 372 and Article 374-12 of the Commercial Code (including cases to which the provisions of Article 374-28 Paragraph 3 of the Commercial Code apply mutatis mutandis), Article 380 of the Commercial Code (including cases to which the provisions of Article 52, Paragraph 3 of the Shinkin Bank Law (including cases to which the provisions of Article 58, Paragraph 5 of the same Law apply mutatis mutandis), Article 57, Paragraph 3 of the Law for the Cooperative Association of Small and Medium Enterprises (including cases to which the provisions of Article 57-3, Paragraph 4 of the same law apply mutatis mutandis), and Article 57, Paragraph 3 of the Labor Bank Law (including cases to which the provisions of Article 62, Paragraph 5 of the same Law apply mutatis mutandis) apply mutatis mutandis), Article 415 of the Commercial Code (including cases to which the provisions of Article 61 of the Shinkin Bank Law, Article 66 of the Law for the Cooperative Association of Small and Medium Enterprises and Article 65 of the Labor Bank Law apply mutatis mutandis), and Article 428 of the Commercial Code (including cases to which the provisions of Article 28 of the Shinkin Bank Law, Article 32 of the Law for the Cooperative Association of Small and Medium Enterprises and Article 28 of the Labor Bank Law apply mutatis mutandis).

2. Concurrent with the issuance of an order for management, the Prime Minister shall appoint one or more persons to act as financial administrator.

3. Subsequent to the appointment of a financial administrator under the provisions of the preceding paragraph, the Prime Minister may, when deeming it necessary, appoint a further financial administrator, or may dismiss a financial administrator when said party is deemed to be managing the business and assets of the financial institution under management in a manner that is not appropriate.

4. When appointing a financial administrator under the provisions of Paragraphs 2 or 3 above, or when dismissing a financial administrator under the provisions of the preceding paragraph, the Prime Minister shall notify the financial institution under management of such fact and post public notice of same in the Official Gazette.

5. The provisions of Article 97, Article 98, Article 98-4 and Article 285 of the Corporate Rehabilitation Law (Law No. 172 of 1952) shall apply mutatis mutandis to financial administrators, and the provisions of Article 44, Paragraph 1 of the Civil Code to financial institutions under management, respectively. In such cases, “permission granted by a court of law” in Article 97, Paragraph 1 of the Corporate Rehabilitation Law shall be amended to read “approval of the Prime Minister (or, if the financial institution subject to an order for management by said financial administrator is a labor bank or the Rokinren Bank, the Prime Minister and the Minister of Health, Labor and Welfare; the same shall also apply hereinafter)”; “deputy receiver” in Article 98 of the same Law shall be amended to read “deputy financial administrator”; “permission granted by a court of law” in Article 98, Paragraph 2 of the same Law shall be amended to read “approval of the Prime Minister”; “a court of law” in Article 285, Paragraph 1 of the same Law shall be amended to read “the Prime Minister”; “deputy receiver” in Article 285, Paragraph 1 of the same Law shall be amended to read “deputy financial administrator”; and “director or other representative,” appearing in Article 44, Paragraph 1 of the Civil Code shall be amended to read “financial administrator.”

#### **Article 78.**

1. Juridical persons may be appointed as financial administrators or deputy financial administrators.

2. The DIC may be appointed as a financial administrator or a deputy financial administrator and may carry out its business.

#### **Article 79. Notices and Registration**

1. When issuing or canceling an order for management, the Prime Minister shall immediately send notice of such fact to the district court having jurisdiction over the head office or principal business office of the financial institution under management. Moreover, a copy of said notice shall be appended to the registration of said financial institution under management and said registration retained at a register office in the district of the head office or principal business office of said financial institution under management, as well as its branch offices or subsidiary places of business.

2. The registration stipulated in the preceding paragraph shall include the name or trade name and address of the financial administrator.

3. The provisions of Paragraph 1 above shall apply mutatis mutandis to any change of matters stipulated in the preceding paragraph.

#### **Article 80. Submission of Reports and Materials**

When deeming it necessary, the Prime Minister may request the financial administrator to submit reports or other materials regarding the status of business and assets of a financial institution under management, and may also require the financial administrator to prepare and submit a plan for the management of said financial institution under management, or may require other measures to be implemented.

#### **Article 81. Examination by the Financial Administrator**

1. The financial administrator may require the directors or auditors of a financial institution under management (or, if said financial institution under management is a Shinkin bank, etc., the party acting in a capacity similar to auditor; the same shall also apply hereinafter in this chapter), the managers thereof (or, if said financial institution under management is a credit cooperative or the Shinkumi Federation Bank, or a labor bank or the Rokinren Bank, the party acting in a capacity similar to manager), the employees thereof or other persons deemed to hold the status of such to submit reports regarding the status of business and assets of said financial institution under management (limited to such that has come to be known by said parties during the term of service or employment at said financial institution under management), or otherwise inspect ledgers, documents and other articles of said financial institution under management.

2. When deeming it necessary in order to discharge the pertinent responsibilities, the financial administrator may conduct inquiries with and otherwise seek the cooperation of government authorities, public bodies and other parties.

#### **Article 82. Obligation of Confidentiality Imposed on the Financial Administrator**

1. The financial administrator and any of its deputies (hereinafter in this article “financial administrator, etc.”) shall maintain confidentiality with respect to any matters that become known during the discharge of its responsibilities. Moreover, this duty to maintain confidentiality shall continue after the term of appointment has expired.

2. When the financial administrator, etc., is a juridical person, the directors and employees engaged in the duties of the financial administrator, etc., shall maintain confidentiality with respect to any matters that become known during the course of their employment. Moreover, this duty to maintain confidentiality shall continue after their term of engagement in the duties of the financial administrator, etc., has expired.

#### **Article 83. Measures to Clarify the Liability of Executives of Financial Institutions Under Management**

1. In order to pursue civil liability in connection with any violation of duties committed by the incumbent or former directors or auditors of a financial institution under management, the financial administrator shall initiate civil litigation or other necessary measures.

2. On becoming aware of any criminal conduct while discharging its responsibilities, the financial administrator shall take the requisite steps to file formal charges in connection with such.

**Article 84. Business Transactions Between the Financial Administrator and a Financial Institution Under Management**

1. The financial administrator shall obtain the approval of the Prime Minister when conducting any business transaction with a financial institution under management either for itself or for a third party. In such cases, the provisions of Article 108 of the Civil Code shall not apply.

2. Any transaction conducted without the approval stipulated in the preceding paragraph shall be null and void, provided, however, that such shall not apply to third parties conducting said transaction in good faith.

**Article 85. Exception to Application of the Provisions of the Commercial Code Regarding Corporate Reorganization**

The provisions of Article 381, Paragraph 1; Article 386, Paragraph 1 (excluding Item (1) and Items (6) through (9) thereof) and Paragraph 2 (excluding parts related to dispositions stipulated in Paragraph 1, Items (1) and (9) of the same article concerning matters within the scope of official competence); Article 387, Paragraph 1; Article 388 through Article 391, Article 397 and Article 398 of the Commercial Code (including cases to which the provisions of Article 62 of the Shinkin Bank Law, Article 6-2, Paragraph 4 of the Law Regarding Financial Business Conducted by Credit Cooperatives and Article 66 of the Labor Bank Law apply mutatis mutandis) shall not apply with respect to financial institutions under management that have become subject to an order for management.

**Article 86. Special Cases Regarding Special Resolutions of Shareholders' Meeting, etc.**

1. Notwithstanding the various provisions regarding resolutions adopted by financial institutions under management under Article 214, Paragraph 1; Article 245, Paragraph 1; Article 280-2, Paragraph 2; Article 346; Article 375, Paragraph 1; Article 343; Article 345, Paragraph 2; Article 353, Paragraph 4 (including cases to which the provisions of Article 365, Paragraph 3 of the Commercial Code apply mutatis mutandis); Article 405 or Article 408, Paragraph 3 of the Commercial Code; Article 48 of the Shinkin Bank Law; Article 53 of the Law for the Cooperative Association of Small and Medium Enterprises; or Article 53 of the Labor Bank Law; or resolutions for merger under Article 7, Paragraph 3 (limited to the portion of Item (1) to which the provisions of Article 408, Paragraph 3 of the Commercial Code apply mutatis mutandis) and Article 7, Paragraph 6 of the Law Concerning Amalgamation and Conversion of Financial Institutions, said resolutions may be provisionally adopted by a two-thirds majority vote of voting members present consisting of shareholders, members,

association members, substitute members or representatives (referred to in Paragraph 3 as “shareholders, etc.”).

2. Notwithstanding the various provisions regarding resolutions adopted by financial institutions under management under Article 348, Paragraph 1; Article 353, Paragraph 5; Article 365, Paragraph 2 or Article 408, Paragraph 4 of the Commercial Code; resolutions for merger under Article 7, Paragraph 3 of the Law Concerning Amalgamation and Conversion of Financial Institutions (limited to the portions of Item (1) to which the provisions of Article 408, Paragraph 4 of the Commercial Code and those of Item (2), respectively, apply mutatis mutandis) or Article 7, Paragraph 5 of the Law Concerning Amalgamation and Conversion of Financial Institutions, said resolutions may be provisionally adopted by a two-thirds majority vote of voting shareholders present.

3. In cases of provisional resolutions as stipulated in Paragraph 1 above, resolutions or resolutions for merger (hereinafter in this and the following paragraph “provisional resolutions”), notices regarding said provisional resolutions shall be delivered to shareholders, etc., and another shareholders’ meeting, etc. (referring to shareholders’ meeting, etc., as stipulated under the provisions of Article 66, Paragraph 2 herein; the same shall also apply in the following paragraph and Paragraph 6 of the following article) shall be convened within one month from the date of said provisional resolutions.

4. In cases where provisional resolutions, etc., are adopted by majority vote as stipulated in Paragraph 1 above at shareholders’ meeting, etc., as stipulated in the preceding paragraph, said provisional resolutions shall be regarded as resolutions or resolutions for merger at the time of said adoption.

5. The provisions of Paragraphs 3 and 4 above shall apply mutatis mutandis to resolutions or resolutions for merger provisionally adopted under the provisions of Paragraph 2 above. In such cases, “majority vote as stipulated in Paragraph 1 above” in the preceding paragraph shall be amended to read “majority vote as stipulated in Paragraph 2 above.”

**Article 87. Permission Replacing Special Resolutions of Shareholders’ Meetings, etc.**

1. Notwithstanding the provisions of Article 245, Article 375 and Article 405 of the Commercial Code, in cases where the assets of a financial institution under management are inadequate to meet its financial obligations and said financial institution is a bank, etc., said financial institution under management may do the following with permission from a court of law:

- (1) Transfer all or a significant portion of its business
- (2) Reduce the amount of its capital

(3) Dissolve itself

2. Notwithstanding the provisions of Article 48 and Article 58, Paragraph 1 of the Shinkin Bank Law, Article 53 and Article 57-3, Paragraph 1 of the Law for the Cooperative Association of Small and Medium Enterprises, and Article 53 and Article 62, Paragraph 1 of the Labor Bank Law, in cases where the assets of a financial institution under management are inadequate to meet its financial obligations and said financial institution under management is a Shinkin bank, etc., said financial institution under management may do the following with permission from a court of law:

(1) Dissolve itself

(2) Transfer its business

3. Notwithstanding the provisions of Article 257, Paragraph 1 of the Commercial Code (including cases to which the provisions of Article 280, Paragraph 1 of the same apply *mutatis mutandis*); Article 38, Paragraph 1 of the Shinkin Bank Law; Article 41, Paragraph 1 of the Law for the Cooperative Association of Small and Medium Enterprises; and Article 41, Paragraph 1 of the Labor Bank Law, the financial administrator may dismiss the directors or auditors of a financial institution under management, subject to permission from a court of law.

4. Notwithstanding the provisions of Article 254, Paragraph 1 of the Commercial Code (including cases to which the provisions of Article 280, Paragraph 1 of the same apply *mutatis mutandis*); Article 32, Paragraph 3 of the Shinkin Bank Law; Article 35, Paragraph 3 of the Law for the Cooperative Association of Small and Medium Enterprises; and Article 34, Paragraph 3 of the Labor Bank Law, in cases where the financial administrator dismisses a director or auditor of a financial institution under management under the provisions of the preceding paragraph but said dismissal will result in the number of directors or auditors becoming less than the number required under controlling law or the articles of incorporation, the financial administrator may appoint directors or auditors to said financial institution under management, subject to permission from a court of law.

5. Directors or auditors of a financial institution under management appointed under the provisions of the preceding paragraph shall resign said appointments effective upon the conclusion of the first regularly scheduled shareholders' meeting or ordinary shareholders' meeting following the end of the business year in which said appointments were made (or, in cases where there is a meeting of representatives at which it is possible to appoint directors, an ordinary meeting of representatives).

6. When permission has been obtained under the provisions of Paragraphs 1 through 4 above (referred to as "substitute permission" in the remainder of this article and the following article), matters that are subject to said substitute permission shall be regarded as having been adopted by resolutions of the general shareholders meeting.

7. Matters related to substitute permission shall be within the jurisdiction of the district court in whose district the head office or principal business office of the financial institution under management is located.

8. When granting substitute permission, the relevant court of law shall send official notice of its decision to the financial institution under management and shall post public notice of the matters contained within said decision.

9. The public notice stipulated in the preceding paragraph shall be placed in the Official Gazette.

10. The decision to grant substitute permission shall become effective from the time such is sent to the financial institution under management as stipulated in Paragraph 8 above.

11. Shareholders, members or association members may file an immediate appeal against a decision to grant substitute permission within a peremptory period of one week from the day on which public notice is posted under the provisions of Paragraph 8 above. In such cases, when said immediate appeal is against a decision to grant substitute permission for dissolution, said immediate appeal shall have the effect of suspending the execution of such.

12. In addition to the provisions stipulated in Paragraphs 7 through 11 above, the provisions of Part 1 (excluding the provisions of Article 2 through Article 4; Article 15; Article 16; Article 18, Paragraphs 1 and 2; and Article 20) of the Non-Contentious Cases Procedure Law (Law No. 14 of 1898) shall apply *mutatis mutandis* to matters that are subject to a granting of substitute permission.

#### **Article 88. Special Cases of Registration Regarding Substitute Permission**

In cases where substitute permission has been granted with respect to matters stipulated under the provisions of Paragraph 1, Items (2) or (3); Paragraph 2, Item (1); Paragraph 3 or Paragraph 4 of the preceding article, an official copy or excerpt of the decision to grant of said substitute permission shall be attached to the application for registration of said matters.

#### **Article 89. Special Cases of Procedures to Protect Creditors**

In cases where a resolution to reduce capital has been adopted by a financial institution under management which is a bank, etc., the requirement to send notification to depositors and other creditors as stipulated by Cabinet Order under the provisions of Article 100 of the Commercial Code as applicable *mutatis mutandis* to the provisions of Article 376, Paragraph 2 of the same law shall be waived.

#### **Article 90. Conclusion of Management by the Financial Administrator**

The financial administrator shall conclude management of a financial institution under management by effectuating a transfer of the business of said financial institution under management or by implementing other measures within one year from the date on which the order for management was issued, provided, however, that in cases where it is not possible to conclude said management within said period due to unavoidable circumstances, the deadline may be extended for a period not to exceed one year, subject to the approval of the Prime Minister.

## **CHAPTER 6. SUCCESSION OF BUSINESS OF FAILED FINANCIAL INSTITUTIONS**

### **Article 91. Decision to Establish a Bridge Bank**

1. When the participation of a bridge bank is deemed necessary to facilitate the succession of business of a failed financial institution (referring to the assumption of business or an interim assumption of business by a bridge bank; the same shall also apply in the remainder of this Chapter), the Prime Minister may make the following decisions:

(1) That a bridge bank be established by the DIC as a subsidiary to conduct the assumption of business in order to succeed to the business of a financial institution under management.

(2) That a bridge bank should conduct the assumption of business in order to succeed to the business of a financial institution under management.

2. When deeming it necessary, the Prime Minister may rescind or modify a decision made under the provisions of the preceding paragraph.

3. When deeming it necessary, the financial administrator may request that the Prime Minister make a decision as stipulated in the preceding two paragraphs above.

### **Article 92. Establishment of a Bridge Bank**

1. When a decision has been made as stipulated under the provisions of Paragraph 1, Item (1) of the preceding article consistent with the provisions of Paragraphs 1 or 2 of the same article, the DIC shall become the promoter for the establishment of a limited company that is to act as a bridge bank and, subject to the approval of the Policy Board with respect to financing in connection with said decision, shall provide the financing necessary for the establishment of said limited company as a subsidiary.

2. In addition to the provisions of the preceding paragraph, when financing is to be provided for a bridge bank, the DIC shall obtain a resolution from the Policy Board.

3. When providing any financing as stipulated in the preceding two paragraphs, the DIC shall, as soon as possible, report such fact to the Prime Minister and the Minister of Finance.

### **Article 93. Confirmation of Assets to Succeed**

1. When a decision has been made as stipulated under the provisions of Article 91, Paragraph 1, Item (2) herein consistent with the provisions of Paragraphs 1 or 2 of the same article, the financial administrator responsible for the financial institution under management shall determine the specific loan claims and other assets of said financial institution under management to which the bridge bank is to succeed under the provisions of said paragraph, and shall request the Prime Minister to confirm that the holding of said assets by the bridge bank is appropriate.
2. When receiving a request as stipulated under the provisions of the preceding paragraph, the Prime Minister shall confirm the matters contained in said request as appropriate with a view to facilitating the smooth succession of business and promoting the sound and proper management of the business of said bridge bank.
3. The Prime Minister and the Minister of Finance shall establish the criteria necessary to render confirmation as stipulated in the preceding paragraph and shall post prior public notice of same.
4. The criteria stipulated in the preceding paragraph shall include criteria related to the satisfaction of financial obligations owed to creditors in connection with loan claims that are the subject to confirmation as stipulated under the provisions of Paragraph 2 above.

### **Article 94. Management of Business of Bridge Banks**

1. The DIC shall manage the business of bridge banks to ensure the proper performance of the following matters:
  - (1) That it conducts the assumption of business from the financial institution under management that is the subject of a decision that has been made as stipulated under the provisions of Article 91, Paragraph 1, Item (2) herein consistent with the provisions of Paragraphs 1 or 2 of the same article
  - (2) That it succeeds to the assets confirmed as appropriate to be held by said bridge bank as stipulated under the provisions of Paragraph 2 of the preceding article
  - (3) That it conducts operations in accordance with the guidelines stipulated in the following paragraph when receiving and paying deposits, etc., lending funds and conducting other related activities
2. The DIC shall prepare guidelines in accordance with the criteria stipulated below regarding the receipt and payment of deposits, etc., loan of funds and other related activities to be performed by a bridge bank, and having obtained the approval of the Prime Minister, shall post public notice of such.

(1) The said guidelines shall be prepared consistent with the purpose of the bridge bank as a provisional entity that is to receive and pay deposits, etc., lending funds and conducting other related activities, said guidelines to incorporate the criteria stipulated under the provisions of Paragraph 3 of the preceding article in such a manner so as to ensure that the business of said bridge bank are carried out soundly and appropriately.

(2) The guidelines shall include a statement of matters approved by the DIC in connection with specified lending of assets and other related transactions to be performed by the bridge bank.

3. The DIC may issue instructions and advice to a bridge bank as deemed necessary.

#### **Article 95. Exception to Application of the Provisions of Article 246 of the Commercial Code**

In cases where the DIC holds all of the shares issued by a bridge bank, the provisions of Article 246 of the Commercial Code shall not apply with respect to assets that are confirmed as stipulated under the provisions of Article 93, Paragraph 2 herein.

#### **Article 96. Conclusion of Management of Business of Bridge Banks**

1. The DIC shall implement the measures stipulated below to conclude management of the business of a bridge bank within two years from the date of the order for management of the first financial institution under management from which said bridge bank receives the transfer of business, provided, however, that in cases where it is not possible to conclude the management of a bridge bank within said period due to unavoidable circumstances, the deadline may be extended for a period not to exceed one year:

(1) Merger of said bridge bank (limited to juridical persons surviving said merger or to be newly established by said merger that are not subsidiaries of the DIC)

(2) Transfer of all of the business of said bridge bank

(3) Transfer of shares of said bridge bank (limited to cases where the bridge bank that is party to said transfer is no longer a subsidiary of the DIC after the transfer)

(4) Dissolution of the bridge bank by a resolution of the general shareholders' meeting

2. When seeking to conclude the management of business under the provisions of the main text of the preceding paragraph or seeking to extend the deadline under the proviso of the same paragraph, the DIC shall obtain approval for such from the Prime Minister

3. When concluding the management of business under the provisions of Paragraph 1 above, causing the transfer of shares of a bridge bank (including a bank that was formerly a bridge bank) or making other disposition (excluding such as stipulated under the provisions of Paragraph 1, Item (3) above), the DIC shall, as soon as possible, report such fact to the Prime Minister and the Minister of Finance.

#### **Article 97. Agreement of Succession**

1. The DIC shall conclude a formal agreement with a bridge bank (hereinafter in this chapter “Agreement of Succession”) that includes the following matters:

- (1) That the bridge bank that is party to the Agreement of Succession (hereinafter “contracted bridge bank”) shall carry out the matters stipulated in the items of Article 94, Paragraph 1 herein;
- (2) That the contracted bridge bank may submit an application to the DIC for the DIC to carry out a purchase of the assets of said contracted bridge bank; and
- (3) That the contracted bridge bank shall obtain the approval of the DIC regarding the content of any agreement it seeks to conclude in connection with the borrowing of funds under a guarantee of repayment as stipulated under the provisions of Paragraph 1 of the following article.

2. When concluding an Agreement of Succession, the DIC shall immediately submit a report of the matters contained therein to the Prime Minister and the Minister of Finance.

#### **Article 98. Loan of Funds and Guarantee of Financial Obligations**

1. When a contracted bridge bank submits an application to the DIC for the loan of funds necessary to ensure the efficient performance of its business, or a guarantee of financial obligations incurred in connection with borrowings made by said contracted bridge bank with a view to raising such funds, the DIC may, when deeming it necessary and subject to a resolution of the Policy Board, issue said loans or guarantees of financial obligations.

2. When concluding an agreement with a contracted bridge bank regarding loans or guarantees of financial obligations incurred under the provisions of the preceding paragraph, the DIC shall immediately submit a report of the matters contained therein to the Prime Minister and the Minister of Finance.

#### **Article 99. Compensation for Losses**

When a contracted bridge bank incurs a loss in connection with the performance of activities stipulated under the terms of an Agreement of Succession, as stipulated by Cabinet Order and subject to a resolution of the Policy Board, the DIC may make compensation for said loss to the limit defined in said Cabinet Order.

## **Article 100. Submission of Reports**

When necessary to the performance of the activities stipulated under the provisions of this chapter, the DIC may require a bridge bank to submit reports regarding the performance of activities stipulated under the terms of an Agreement of Succession or its financial condition.

## **Article 101. Financial Assistance to Succeeding Financial Institutions**

1. A financial institution that is not a bridge bank and succeeds to business (referred to as “succeeding financial institution” in the remainder of this article) or a bank holding company that succeeds to business (referred to as “succeeding bank holding company” in the remainder of this article) may apply to the DIC for financial assistance (limited to such as stipulated under the provisions of Items (3), (6) or (7) of Article 59, Paragraph 1 herein) for assistance in facilitating the succession to business.

2. The term “succession” as used in the preceding paragraph shall refer to the following:

(1) Merger between a bridge bank and a financial institution whereby the surviving entity is said financial institution

(2) Merger between a bridge bank and a financial institution whereby another financial institution is newly established

(3) Transfer of business in its entirety by a bridge bank to another financial institution (excluding that portion of business concerned with assets to be purchased in part from said bridge bank by the DIC)

(4) Acquisition of the shares of a bridge bank by another financial institution or bank holding company, said acquisition being determined by the Prime Minister and the Minister of Finance as necessary to maintain the sound and appropriate management of the business of said bridge bank

3. A purchase of assets conducted under the provisions of Paragraph 1 above shall be made with respect to the assets stipulated below based on the corresponding type of succession:

(1) Merger stipulated in Item (1) of the preceding paragraph: Assets of the financial institution that is to survive under said merger (limited to assets that were those of the bridge bank prior to said merger)

(2) Merger stipulated in Item (2) of the preceding paragraph: Assets of the financial institution that is to be newly established under said merger (limited to assets that were those of the bridge bank prior to said merger)

(3) Transfer of business stipulated in Item (3) of the preceding paragraph: Assets of the other financial institution as stipulated in said item that have been received under the transfer of said business

(4) Acquisition of shares stipulated in Item (4) of the preceding paragraph: Assets of the bank that has acquired said shares

4. Loss sharing as stipulated under the provisions of Paragraph 1 above shall be carried out with respect to loan claims that are assets as stipulated in the respective items of the preceding paragraph according to the type of succession.

5. The provisions of Article 59, Paragraphs 3, 6 and 7, and Article 61, Paragraph 1 herein shall apply mutatis mutandis to applications stipulated under the provisions of Paragraph 1 above, and the provisions of Article 61, Paragraphs 2 through 4 and Paragraphs 6 through 8 herein to authorization stipulated under the provisions of Paragraph 1 of the same article as applied mutatis mutandis to this paragraph. In such cases, “assuming financial institution” in Article 59, Paragraph 3 shall be amended to read “succeeding financial institution”; “merger, etc.” in Article 61 shall be amended to read “succession”; “failed financial institution” in the same article shall be amended to read “bridge bank”; “assuming financial institution” in the same article shall be amended to read “succeeding financial institution”; and “assuming bank holding company” shall be amended to read “succeeding bank holding company.”

6. Even in cases where no application has been submitted under the provisions of Article 61, Paragraph 2 herein as applied mutatis mutandis to the preceding paragraph, when a bridge bank is recognized as being subject to the provisions of Paragraph 3, Item (3) of the same article as applied mutatis mutandis to the preceding paragraph, the Prime Minister may provide written recommendation in any succession involving said bridge bank and another financial institution or said bridge bank and a bank holding company (excluding mergers stipulated under the provisions of Paragraph 2, Item (2) above; limited to situations where said succession is of value in protecting depositors and other creditors, and where financial assistance provided by the DIC is indispensable in order to carry out said succession).

7. The provisions of Article 62, Paragraph 2 and Paragraphs 4 through 6 herein shall apply mutatis mutandis to recommendation stipulated under the provisions of the preceding paragraph, the provisions of Article 64 (excluding Paragraph 2) and Article 64-2 to applications as stipulated under the provisions of Paragraph 1 above, the provisions of Article 65 and Article 66 to authorization as stipulated under the provisions of Article 61, Paragraph 1 herein as applied mutatis mutandis to Paragraph 5 above, or to financial institutions or bank holding companies that have received recommendation as stipulated under the provisions of the preceding paragraph, the provisions of Article 67 to succeeding financial institutions, and the provisions of Article 68 to financial assistance provided by the DIC for the purpose of facilitating succession, respectively. In such cases, “Article 59, Paragraph 1 or Article 59-2, Paragraph 1” in Article 62, Paragraph 2 shall be amended to read “Article 101, Paragraph 1”; “Paragraph 1” in Article 62, Paragraphs 4 through 6 shall be amended to

read “Article 101, Paragraph 6”; “Paragraphs 4 through 7” in Article 62, Paragraph 4 shall be amended to read “Paragraphs 4, 6 and 7”; “a failed financial institution or a financial institution deemed highly probable to become a failed financial institution” in Article 62, Paragraph 5 shall be amended to read “bridge bank”; “merger, etc.” in Article 64, Paragraphs 3 and 5 shall be amended to read “succession”; “assuming financial institution” in Article 64-2, Paragraphs 1, 2 and 4 shall be amended to read “succeeding financial institution”; “assuming bank holding company” in the same article and paragraphs shall be amended to read “succeeding bank holding company”; and “merger, etc.” in Article 64-2, Paragraph 2, Article 65 and Article 68 shall be amended to read “succession.” In addition to the above, other necessary technical amendments shall be as stipulated by Cabinet Order.

## **CHAPTER 7. MEASURES AGAINST FINANCIAL CRISES**

### **Article 102. Confirmation of Necessity of Measures Taken Against Financial Crises**

1. If the Prime Minister recognizes that, unless the measures stipulated in the following items are taken, an extremely serious impediment could be caused to the maintenance of an orderly financial system in Japan or in a certain region in Japan where financial institutions mentioned in the following items are conducting business, the Prime Minister may confirm the necessity for the respective measures to be taken as stipulated in this article (hereinafter in this chapter “confirmation”) following discussion by the Council for Financial Crises (hereinafter in this chapter “CFC”):

- (1) Financial institutions (excluding financial institutions as stipulated in the following item): Subscription of shares, etc., by the DIC for the purpose of strengthening the equity capital of said financial institution (hereinafter in this chapter “measures under Item (1)”)
- (2) Failed financial institutions or financial institutions whose assets are insufficient to honor their financial obligations: Financial assistance to the amount which is expected to exceed the estimated cost in case payment is made to depositors, etc., concerning an insurable contingency affecting the said financial institution (hereinafter in this chapter “measures under Item (2)”)
- (3) Banks, etc., under the category of failed financial institution whose assets are insufficient to honor their financial obligations: Measures stipulated in the provisions of Article 111 through Article 119 of this Law (hereinafter in this chapter “measures under Item (3)”)

2. If the Prime Minister wishes to make confirmation with respect to a labor bank or the Rokinren Bank, the Prime Minister shall first conduct a hearing with the Minister of Health, Labour and Welfare.

3. Measures under Item (3) shall be taken only when the Prime Minister recognizes that measures under Item (2) cannot avoid such impediment as described in the provisions of Paragraph 1.

4. When a confirmation under Item (1) is made, the Prime Minister shall define a period of time within which a financial institution can apply for the measure provided in Article 105, Paragraph 1.

5. The Prime Minister shall notify a confirmation as defined in this article to the financial institution and the DIC as well as to the general public through Official Gazette, and shall also notify the period as defined in accordance with Paragraph 4 above to the financial institution, the DIC and to the general public in the aforesaid manner in case a confirmation is made according to measures under Item (1).

6. When the Prime Minister has made confirmation as provided in this article, the Prime Minister shall report the contents of said confirmation to the National Diet.

### **Article 103. Cancellation of Confirmation Concerning Measures Under Item (1)**

1. Following a confirmation concerning measures under Item (1) and in the period of time until a decision is made under the provisions of Article 105, Paragraph 3 herein, when the financial institution that is subject to said confirmation has become a financial institution as stipulated under the provisions of Paragraph 1, Item (2) of the preceding article, the Prime Minister shall cancel said confirmation following discussion by the CFC.

2. The provisions of Paragraphs 2, 5 and 6 of the preceding article shall apply mutatis mutandis to the cancellation of a confirmation stipulated in the preceding paragraph.

### **Article 104. Submission of a Plan Clarifying Measures to Ensure Adequacy of Equity Capital**

1. When an application stipulated under the provisions of Paragraph 1 of the following article is not submitted, the financial institution that is subject to a confirmation concerning measures under Item (1) shall submit to the Prime Minister a plan clarifying the measures that are to be implemented to ensure the adequacy of equity capital by a method other than measures under Item (1) within the period stipulated under the provisions of Article 102, Paragraph 4 herein.

2. When the plan submitted by a financial institution under the provisions of the preceding paragraph is deemed to be appropriate, the Prime Minister shall cancel a confirmation with respect to said financial institution following discussion with the CFC.

3. The provisions of Article 102, Paragraphs 2, 5 and 6 herein shall apply mutatis mutandis to the cancellation of a confirmation stipulated in the preceding paragraph.

4. In cases where a financial institution subject to a confirmation concerning measures under Item (1) has not submitted an application as stipulated under the provisions of Paragraph 1 of the following article within the period of time stipulated for such under the provisions of Article 102, Paragraph 4 herein, when said financial institution has not

submitted a plan as stipulated under the provisions of Paragraph 1 above within said period of time, the Prime Minister shall cancel said confirmation.

5. When a plan submitted by a financial institution under the provisions of Paragraph 1 above is deemed to be inappropriate, the Prime Minister shall cancel the said confirmation with respect to said financial institution.

6. When a confirmation concerning measures under Item (1) is to be cancelled under the provisions of the preceding two paragraphs, the Prime Minister shall first conduct a hearing with the Minister of Finance.

7. The provisions of Article 102, Paragraphs 2, 5 and 6 herein shall apply mutatis mutandis to the cancellation of a confirmation concerning measures under Item (1) as stipulated in Paragraphs 4 and 5 above.

8. Notwithstanding the provisions of Article 102, Paragraph 1 herein, in cases where a confirmation concerning measures under Item (1) is cancelled under the provisions of Paragraph 4 or 5 above, when there is a serious risk that conditions will arise whereby the assets of the financial institution that is subject to said cancellation are insufficient to honor the financial obligations of said financial institution, the Prime Minister may confirm measures under Item (2) with respect to said financial institution, following discussion with the CFC.

9. The provisions of Article 102, Paragraphs 2, 5 and 6 herein shall apply mutatis mutandis to a confirmation concerning measures under Item (2) as stipulated in Paragraph 8 above.

#### **Article 105. Decision for the Subscription of Shares, etc.**

1. In cases of a confirmation concerning measures under Item (1), when an application concerning measures under Item (1) is submitted by a financial institution subject to said confirmation within the period of time stipulated for such under the provisions of Article 102, Paragraph 4 herein, the DIC and said financial institution shall jointly request a decision from the Prime Minister (or, if said financial institution is a labor bank or the Rokinren Bank, to the Prime Minister and the Minister of Health, Labor and Welfare; the same shall also apply in Paragraphs 2, 3, 6 and 7 below; Article 107, Paragraph 2; Article 108; Article 109; and Article 110, Paragraph 1 herein) as to whether or not to implement measures under Item (1) with respect to said application.

2. A financial institution submitting an application as stipulated in the preceding paragraph shall submit to the Prime Minister a plan to ensure the soundness of business management of said financial institution, stating the policies that are intended to ensure the rational management of said financial institution together with other measures and policies as stipulated by Cabinet Order.

3. The Prime Minister shall make a decision to implement measures under Item (1) with respect to an application submitted under the provisions of Paragraph 1 above only upon satisfaction of all of the following requirements:

(1) That there are no serious difficulties associated with disposal of acquired shares, etc., and loan claims in connection with the application stipulated in Paragraph 1 above;

(2) That said financial institution, by executing the plan stipulated under the provisions of the preceding paragraph to ensure the soundness of business management, is likely to implement the following measures:

- a. Measures to ensure the rational management of business
- b. Measures to clarify responsibility for management of business
- c. Measures to clarify shareholders' responsibility

4. The term "acquired shares, etc." as used in Item (1) of the preceding paragraph shall refer to shares, etc., acquired by the DIC in connection with measures under Item (1) (subsequent to the acquisition of said acquired shares, etc., when such acquisition is of shares or subordinated corporate bonds, this shall also include other types of shares that are issued upon conversion of the original shares when such conversion is possible, shares that are issued upon conversion of shares or convertible corporate bonds resulting from merger or divestiture when such conversion is possible, and shares resulting from merger or divestiture).

5. The term "acquired loan claims" as used in Paragraph 3, Item (1) above shall refer to loan claims acquired by the DIC in connection with measures under Item (1).

6. When making a decision under the provisions of Paragraph 3 above, the Prime Minister shall obtain the consent of the Minister of Finance.

7. When making a decision under the provisions of Paragraph 1 above, the Prime Minister shall notify said financial institution and the DIC of said fact.

8. When making a decision not to implement measures under Item (1) with respect to an application stipulated in Paragraph 1 above, the Prime Minister shall immediately cancel a confirmation concerning measures under Item (1) with respect to the financial institution submitting said application.

9. The provisions of Article 102, Paragraphs 2, 5 and 6 and Article 104, Paragraphs 6 and 8 shall apply mutatis mutandis to the cancellation of a confirmation concerning measures under Item (1), and the provisions of Article 104, Paragraph 9 to a confirmation concerning measures under Item (2) under the provisions of Paragraph 8 of the same article as governed mutatis mutandis by the provisions of this paragraph, respectively.

## **Article 106. Special Cases of a Reduction of Capital**

1. In cases where an application stipulated under the provisions of Paragraph 1 of the preceding article is for the subscription of shares, etc., the Prime Minister may, when deeming it necessary, require that the amount of capital be reduced as a condition of a decision to approve said subscription of shares, etc., under the provisions of Paragraph 3 of the same article with respect to said application.
2. The provisions of Article 89 shall apply mutatis mutandis to a reduction of capital as stipulated in the preceding paragraph in cases where said reduction is a condition of a decision to approve said subscription of shares, etc., under the provisions of Paragraph 3 of the preceding article.
3. In cases where a decision under the provisions of Paragraph 3 of the preceding article regarding the subscription of shares, etc., is conditional upon the reduction of capital as stipulated in Paragraph 1 above, when the general meeting of shareholders of the bank, etc., that is the subject of said decision adopts a resolution either for or against a reduction of capital that is a condition of said decision, said bank, etc., shall immediately report such fact and submit a copy of the minutes of said general meeting of shareholders to the Prime Minister, and shall also notify the DIC of such.
4. In cases stipulated in the preceding paragraph, when the general shareholders' meeting does not adopt a resolution for a reduction of capital as a condition of a decision as stipulated in the same paragraph, the Prime Minister shall cancel a confirmation concerning measures under Item (1) and the decision reached under the provisions of Paragraph 3 of the preceding article with respect to said bank, etc.
5. The provisions of Article 102, Paragraphs 5 and 6 and Article 104, Paragraphs 6 and 8 shall apply mutatis mutandis to the cancellation of a confirmation concerning measures under Item (1) as stipulated in the preceding paragraph ; the provisions of Article 104, Paragraph 9 (excluding that portion concerned with Article 102, Paragraph 2) to a confirmation concerning measures under Item (2) as stipulated in Article 104, Paragraph 8 herein as governed mutatis mutandis by the provisions of this paragraph; and the provisions of Paragraph 7 of the preceding article to the cancellation of a confirmation under the provisions of Paragraph 3 of the same article consistent with the provisions of the preceding paragraph, respectively.

## **Article 107. Subscription of Shares, etc., by the DIC**

1. When there is a decision as stipulated under the provisions of Article 105, Paragraph 3 herein, the DIC shall execute a subscription of shares, etc., in accordance with said decision.
2. When a subscription of shares, etc., has been conducted under the provisions of the preceding paragraph, the DIC shall, as soon as possible, report the contents of said subscription to the Prime Minister and the Minister of Finance.

#### **Article 108. Public Notice of Plan**

1. When a decision has been reached under the provisions of Article 105, Paragraph 3 herein, the Prime Minister shall post public notice of the plan that was submitted and received under the provisions of Paragraph 2 of the same article, provided, however, that this provision shall not apply if such disclosure poses any risk of harm to the maintenance of an orderly financial system, poses any risk of encroaching on the confidentiality of depositors and other parties conducting business with the financial institution submitting said plan, or poses any risk of causing unfair impediment to the business of said financial institution.
2. Until such time that the DIC makes full disposition with respect to acquired shares, etc. (referring to such stipulated under the provisions of Article 105, Paragraph 4 herein; the same shall also apply in the remainder of this chapter) or acquired loan claims (referring to such stipulated under the provisions of Paragraph 5 of the same article; the same shall also apply in the remainder of this chapter), or otherwise realizes profits attributable to such acquired shares, etc., or acquired loan claims by amortization, redemption or settlement thereof, the Prime Minister may require the financial institution concerned with said acquired shares, etc., or acquired loan claims to submit reports concerning the implementation of the plan previously submitted under the provisions of Paragraph 2 of the same article, and may post public notice of such.

#### **Article 109. Disposition of Acquired Shares, etc., and Acquired Loan Claims**

1. When seeking to transfer or make other disposition with respect to acquired shares, etc., or loan claims, the DIC shall obtain approval for such action from the Prime Minister and the Minister of Finance.
2. When making any disposition under the provisions of the preceding paragraph, the DIC shall, as soon as possible, report the content of said disposition to the Prime Minister and the Minister of Finance.

#### **Article 110. Special Cases of Orders for Management and Financial Assistance**

1. Notwithstanding the provisions of Article 74, Paragraphs 1 and 2 herein, in cases where there is a confirmation concerning measures under Item (2) under the provisions of Article 102, Paragraph 1 or Article 104, Paragraph 8 herein (including cases applying mutatis mutandis to Article 105, Paragraph 9 and Article 106, Paragraph 5 herein), the Prime Minister shall immediately issue an order for management with respect to the financial institution that is subject to said confirmation.
2. Regarding the application of this Law in cases where there is an order for management as stipulated under the provisions of the preceding paragraph, financial institutions that are subject to said order (excluding failed financial institutions) shall be regarded as failed financial institutions.

3. The provisions of Article 64, Paragraph 2 shall not apply in cases where there is a resolution by the Policy Board under the provisions of Paragraph 1 of the same article with respect to financial assistance provided to facilitate a merger, etc., of a financial institution that is subject to an order for management under the provisions of Paragraph 1 above as a failed financial institution. In such cases, the Policy Board may adopt a resolution to provide said financial assistance when it is recognized that the amount of such assistance does not exceed the necessary limits for the purpose of carrying out the merger, etc. to be facilitated by said financial assistance in light of the financial condition of said financial institution.

#### **Article 111. Decision for Acquisition of Shares of a Bank Under Special Crisis Management**

1. Concurrent with a confirmation concerning measures under Item (3), the Prime Minister shall make a decision for the acquisition by the DIC of shares of banks, etc., that are subject to said confirmation (such decision referred to in the following paragraph as “decision to impose special crisis management”).
2. When making a decision to impose special crisis management, the Prime Minister shall notify the DIC and the bank, etc., that is subject to said decision (hereinafter “bank under special crisis management”) and shall post public notice of such fact in the Official Gazette.

#### **Article 112. Acquisition of Shares**

1. When public notice has been posted under the provisions of Paragraph 2 of the preceding article (hereinafter in this chapter “time of public notice”), the shares of the bank under special crisis management shall be acquired by the DIC at the time of such public notice.
2. Shares acquired by the DIC under the provisions of the preceding paragraph (including odd-lot shares) shall cease to be valid at the time of public notice.
3. The provisions of Article 205, Paragraph 1 and Article 206, Paragraph 1 of the Commercial Code shall not apply with respect to the acquisition of shares under the provisions of Paragraph 1 above.
4. Any right of pledge or collateral to shares acquired by the DIC under the provisions of Paragraph 1 above shall lapse at the time of public notice.

#### **Article 113. Public Notice of Financial Condition of a Bank Under Special Crisis Management**

When placing public notice under the provisions of Article 111, Paragraph 2 herein, the Prime Minister shall post public notice of the condition of assets and liabilities of the bank under special crisis management at the time of public notice in accordance with ordinances of the Cabinet Office and the Ministry of Finance.

#### **Article 114. Special Cases of Appointment and Dismissal of Directors of a Bank Under Special Crisis Management**

1. Notwithstanding the provisions of Article 254, Paragraph 1 of the Commercial Code (including cases governed mutatis mutandis by the provisions of Article 280, Paragraph 1 of the Commercial Code), the DIC may appoint directors and auditors to a bank under special crisis management based on nominations by the Prime Minister. In such cases, documentation attesting to any such nomination and appointment shall be attached to the application for registration of a change in the composition of directors or auditors of the bank under special crisis management.
2. Notwithstanding the provisions of Article 257, Paragraph 1 of the Commercial Code (including cases governed mutatis mutandis by the provisions of Article 280, Paragraph 1 of the Commercial Code), the DIC may dismiss directors and auditors of a bank under special crisis management, subject to the approval of the Prime Minister.

#### **Article 115. Submission of Reports and Materials**

When deeming it necessary, the Prime Minister may require a bank under special crisis management to submit reports or materials regarding the condition of its business and assets, require the preparation and submission of a business plan concerning its business management, or order the implementation of other necessary measures.

#### **Article 116. Measures for Clarifying the Liability of Executives of a Bank Under Special Crisis Management**

1. A bank under special crisis management shall initiate civil litigation and implement other measures as necessary against present or former directors and auditors in order to pursue their civil liabilities based on violations of their professional obligations.
2. When the directors and auditors of a bank under special crisis management suspect criminal conduct during the performance of their duties, they shall take requisite steps to initiate accusations.

#### **Article 117. Special Cases of Procedures to Protect Creditors**

The provisions of Article 89 shall apply mutatis mutandis to resolutions to reduce the amount of capital of a bank under special crisis management.

#### **Article 118. Special Cases of Financial Assistance for a Bank Under Special Crisis Management**

1. Notwithstanding the provisions of Article 59, Paragraph 1 herein, an assuming financial institution or assuming bank holding company that is party to a merger, etc. (limited to such as stipulated under the provisions of Paragraph 2, Items (1), (2) and (4) of the same article; the same shall also apply in Paragraph 5 below) with a bank under

special crisis management as a failed financial institution may submit an application jointly signed with said bank under special crisis management to the DIC for financial assistance for said bank under special crisis management (limited to such as stipulated under the provisions of Paragraph 1, Item (1) of the same article; the same shall also apply in Paragraphs 3 through 5 below).

2. The provisions of Article 59, Paragraphs 6 and 7 and Article 61, Paragraph 1 shall apply mutatis mutandis to applications stipulated in the preceding paragraph, and the provisions of Article 61, Paragraphs 2, 3 and 6 through 8 to the authorization of eligibility under the provisions of Paragraph 1 of the same article as governed mutatis mutandis by the provisions of this Paragraph. In such cases, “failed financial institution” in Article 61, Paragraphs 1 through 3 and Paragraph 8 shall be amended to read “bank under special crisis management.” In addition to the above, other necessary technical amendments shall be as stipulated by Cabinet Order.

3. Even in cases where an application is not submitted under the provisions of Article 61, Paragraph 2 herein as governed mutatis mutandis by the provisions of the preceding paragraph, when a bank under special crisis management is recognized as being subject to the provisions of Paragraph 3, Item (3) of the same article as governed mutatis mutandis by the provisions of the preceding paragraph, the Prime Minister may provide written recommendation in any merger, etc., involving a bank under special crisis management and another financial institution or said bank under special crisis management and a bank holding company, etc. (limited to mergers, etc., stipulated under the provisions of Article 59, Paragraph 2, Items (1) and (4) herein which are of value in protecting depositors and other creditors, and for which financial assistance provided by the DIC is indispensable).

4. The provisions of Article 62, Paragraph 2 and Paragraphs 4 through 6 herein shall apply mutatis mutandis to recommendation stipulated under the provisions of the preceding paragraph; the provisions of Article 64 (excluding Paragraphs 2 and 5) to applications as stipulated under the provisions of Paragraph 1 above; the provisions of Article 65 and Article 66 to financial institutions or bank holding companies that have received authorization as stipulated under the provisions of Article 61, Paragraph 1 herein as governed mutatis mutandis by the provisions of Paragraph 2 above, or recommendation as stipulated under the provisions of Paragraph 3 above; and the provisions of Article 68 to financial assistance as stipulated under the provisions of Paragraph 1 above, respectively. In such cases, “Article 59, Paragraph 1 or Article 59-2, Paragraph 1” in Article 62, Paragraph 2 shall be amended to read “Article 118, Paragraph 1”; “Paragraph 1” in Article 62, Paragraphs 4 through 6 shall be amended to read “Article 118, Paragraph 3”; and “Paragraphs 4 through 7” in Article 62, Paragraph 4 shall be amended to read “Paragraphs 6 and 7.” In addition to the above, other necessary technical amendments shall be as stipulated by Cabinet Order.

5. In cases where there is a decision under the provisions of Article 64, Paragraph 1 as governed by the provisions of Paragraph 4 above with respect to financial assistance pursuant to an application submitted under the provisions of Paragraph 1 above, the Policy Board may adopt a resolution to provide said financial assistance when it is

recognized that the amount of such does not exceed the necessary limits for the purpose of carrying out the merger, etc., to be facilitated by said financial assistance in light of the financial condition of the bank under special crisis management concerned.

#### **Article 119. Special Cases of Financial Assistance for Mergers, etc.**

The provisions of Article 110, Paragraph 3 shall apply mutatis mutandis to financial assistance for a merger, etc., involving a bank under special crisis management as a failed financial institution pursuant to an application submitted under the provisions of Article 59, Paragraph 1 herein.

#### **Article 120. Conclusion of Measures under Item (3)**

1. The Prime Minister shall conclude measures under Item (3) at the earliest opportunity by causing any of the following measures to be implemented by the DIC or a bank under special crisis management:

(1) Merger involving said bank under special crisis management and a financial institution whereby the surviving entity is said financial institution (limited to cases in which the surviving juridical person subsequent to merger is not a subsidiary of the DIC)

(2) Merger involving said bank under special crisis management and another financial institution whereby the surviving entity is a newly established financial institution (limited to cases in which the newly established juridical person subsequent to merger is not a subsidiary of the DIC)

(3) Transfer of the business of said bank under special crisis management

(4) Transfer of the shares of said bank under special crisis management (limited to cases in which said bank under special crisis management will cease to be a subsidiary of the DIC by said transfer)

2. When measures stipulated in Items (1) through (3) of the preceding paragraph have been implemented, the bank under special crisis management shall submit a report of such fact to the Prime Minister and shall also notify such fact to the DIC.

3. Upon receiving the notification stipulated in the preceding paragraph, the DIC shall immediately submit a report of such fact to the Minister of Finance.

4. When measures stipulated in Paragraph 1, Item (4) above have been implemented, the DIC shall, as soon as possible, submit a report of such fact to the Prime Minister and the Minister of Finance.

#### **Article 121. Crisis Management Account**

1. When financial assistance is provided pursuant to a resolution as stipulated under the provisions of Article 110, Paragraph 3 (including cases governed mutatis mutandis by the provisions of Article 119 herein) or Article 118, Paragraph 5 herein, the DIC shall transfer an amount from the account established for operations stipulated under the provisions of Article 40-2, Item (2) herein (said account referred to hereinafter as “Crisis Management Account” and said operations as “crisis management operations”) to the General Account, said amount to be the amount of financial assistance required minus the estimated amount of expense required to pay insurance claims for insurable contingencies affecting the financial institution that is the subject of said financial assistance.

2. Any transfer of funds from the Crisis Management Account to the General Account under the provisions of the preceding paragraph shall be regarded as crisis management operations.

### **Article 122. Payment of Contributions**

1. When public notice has been posted under the provisions of Paragraph 4 of the following article (including cases governed mutatis mutandis by the provisions of Article 124, Paragraph 3 herein), financial institutions shall, during the period of time stipulated in said public notice, pay contributions to the DIC to cover expenses incurred in connection with implementing crisis management operations.

2. When public notice has been posted under the provisions of the preceding paragraph, financial institutions shall submit to the DIC documentation as stipulated in ordinances of the Cabinet Office and the Ministry of Finance and pay contributions as stipulated in the preceding paragraph to the DIC by the final day of each business year included in the period of time stipulated in said public notice.

3. The contributions stipulated in Paragraph 1 above shall be calculated for each financial institution by dividing by twelve the total amount of its liabilities (excluding such stipulated in ordinances of the Cabinet Office and the Ministry of Finance) outstanding on the final day of the business year immediately preceding the business year that includes the date on which said contributions must be paid, multiplying the resulting amount by the number of months in the business year that includes the date on which said contributions must be paid, and multiplying the resulting amount by the contribution rate stipulated under the provisions of Paragraph 2 of the following article.

4. The provisions of Article 50, Paragraph 2 and Article 52 herein shall apply mutatis mutandis to the contributions stipulated in Paragraph 1 above.

### **Article 123. Decision Regarding Contributions**

1. Within three months following the close of each business year, the DIC shall submit a report to the Prime Minister and the Minister of Finance regarding revenue and expenditure in the Crisis Management Account during said business year with respect to the following:

- (1) Amounts transferred from the Crisis Management Account to the General Account under the provisions of Article 121, Paragraph 1 herein
- (2) Any amount of loss attributable to transfer of acquired shares, etc., or acquired loan claims for amounts below their acquisition value, or other causes
- (3) Any amount of gain attributable to transfer of acquired shares, etc., or acquired loan claims for amounts above their acquisition value, or other causes
- (4) Amounts of contributions collected
- (5) Other matters as stipulated by Cabinet Order

2. When a report has been received as stipulated in the preceding paragraph, the Prime Minister and the Minister of Finance shall, when deeming it necessary, determine a contribution rate and a period for payment of contributions by financial institutions, as stipulated under the provisions of Paragraph 1 of the preceding article, in each business year following that in which said report is received (referred to below in this paragraph as “time of report”), provided, however, that in business years preceding that in which said report is received, when the contribution rate and period for payment of contributions have been determined for each business year occurring after the business year in which said report is submitted, such determination shall be made by changing the said contribution rate and period for payment of said contributions.

3. The contribution rate and period for payment of contributions shall be determined in a manner that adequately provides for any deficiency in the Crisis Management Account and does not involve discriminatory treatment against any given financial institution, with due consideration to the following matters:

- (1) Matters stipulated in the items of Paragraph 1 above for the business year pertaining to reports stipulated in Paragraph 1 above
- (2) The financial condition of financial institutions

4. When determining a contribution rate and period for payment of contributions under the provisions of Paragraph 2 above, the Prime Minister and the Minister of Finance shall post public notice of such in the Official Gazette.

5. When deeming it necessary in order to determine a contribution rate and period for payment of contributions under the provisions of Paragraph 2 above, the Prime Minister and the Minister of Finance may obtain an opinion from the DIC or otherwise require the DIC to submit reports and other materials.

#### **Article 124. Change of Contribution Rate**

1. In cases where it becomes certain that there will be an excess or deficiency in the amount of contributions due to fluctuations in interest on its borrowings, Government subsidies under the provisions of Paragraph 1 of the following article or other circumstances (excluding such as stipulated in the items of Paragraph 1 of the preceding article), the DIC shall submit a report of such fact to the Prime Minister and the Minister of Finance.

2. To the degree deemed necessary to compensate for any excess or deficiency in contributions in connection with a report submitted under the provisions of the preceding paragraph, the Prime Minister and the Minister of Finance may change the contribution rate and period for payment of contributions as stipulated in Paragraph 2 of the preceding article.

3. The provisions of Paragraphs 4 and 5 of the preceding article shall apply mutatis mutandis to any change of the contribution rate and period for payment of contributions by the Prime Minister and the Minister of Finance under the provisions of the preceding paragraph.

#### **Article 125. Government Subsidies**

1. The Government may provide partial subsidies to the DIC for expenses related to crisis management operations, within the limit determined in the budget, only when it is recognized that, if said operations were to be funded by contributions alone, the financial situation of financial institutions would deteriorate substantially and an extremely serious impediment could be caused to the maintenance of an orderly financial system in Japan.

2. In business years when no contributions are paid (limited to business years following those that include the date on which a subsidy is received from the Government under the provisions of the preceding paragraph), when there is an amount calculated as profit posted to the Crisis Management Account as stipulated by ordinances of the Cabinet Office and the Ministry of Finance, said amount shall be paid into the national treasury after deducting any amount already paid into the national treasury under the provisions of this paragraph from the total amount of subsidies already received from the Government under the provisions of the preceding paragraph.

3. The procedures for payment and other necessary matters related to the amounts stipulated in the preceding paragraph shall be as stipulated by Cabinet Order.

#### **Article 126. Borrowing of Funds and Issuance of Bonds by the DIC**

1. When it is deemed necessary to implement crisis management operations, the DIC may borrow funds from the Bank of Japan, financial institutions and other parties (including refinancing) or may issue bonds (including issuance for the purpose of refinancing bonds) within the limit determined by Cabinet Order and subject to the approval of the Prime Minister and the Minister of Finance.

2. The provisions of Article 42, Paragraph 4 and Article 42-2 shall apply mutatis mutandis to any borrowing of funds or issuance of bonds by the DIC under the provisions of the preceding paragraph.
3. Bonds issued under the provisions of Paragraph 1 above shall be regarded as bonds issued under the provisions of Article 42, Paragraph 1 herein, and the provisions of Paragraphs 5 through 9 of the same article shall apply to said bonds.

## **CHAPTER 8. MISCELLANEOUS PROVISIONS**

### **Article 127. Loan of Funds for the Purpose of Repaying Deposits, etc.**

1. In cases where an application is received from a financial institution stipulated in the following items for a loan of funds necessary for the purpose of repaying deposits, etc. (limited to the repayment of deposits, etc., corresponding to insurance claims as calculated under the provisions of Article 54, Paragraphs 1 through 3 herein), when deeming it necessary and subject to a resolution of the Policy Board, the DIC may make a decision to lend funds pursuant to said application to the limit of the total amount of insurance claims related to deposits, etc., as calculated under the provisions of Paragraphs 1 through 3 of the same article:

- (1) Financial institutions that have become subject to an order for management under the provisions of Article 74, Paragraph 1 or Paragraph 2 herein
- (2) Failed financial institutions that have become subject to a decision to commence reorganization proceedings
- (3) Failed financial institutions that have become subject to an order for management by a temporary receiver under the provisions of Article 39, Paragraph 1 of the Corporate Reorganization Law or Article 33, Paragraph 1 of the Law Concerning Special Cases of Reorganization Proceedings for Financial Institutions
- (4) Failed financial institutions that have become subject to an order for management by a receiver under the provisions of Article 64, Paragraph 1 of the Civil Rehabilitation Law
- (5) Failed financial institutions that have become subject to an order for management by a temporary receiver under the provisions of Article 79, Paragraph 1 of the Civil Rehabilitation Law
- (6) Failed financial institutions that have become subject to an order for management under the provisions of Article 386, Paragraph 1, Item (11) of the Commercial Code (including cases to which the provisions of Article 62 of the Shinkin Bank Law, Article 6-2, Paragraph 4 of the Law Regarding Financial Business Conducted by Credit Cooperatives, and Article 66 of the Labor Bank Law apply mutatis mutandis)

2. The provisions of Article 64, Paragraphs 3 and 4 shall apply mutatis mutandis to decisions stipulated under the provisions of the preceding paragraph.

3. With respect to the relationships of creditors other than the DIC in bankruptcy proceedings, rehabilitation procedures, reorganization procedures or special liquidation proceedings, loans extended to the financial institutions stipulated in the following items under the provisions of Paragraph 1 above shall be regarded as existing prior to the corresponding decision:

(1) Failed financial institutions stipulated under the provisions of Paragraph 1, Item (2) herein: Decision to commence said reorganization procedures

(2) Failed financial institutions that have become subject to a decision to commence rehabilitation procedures: Decision to commence said rehabilitation procedures

(3) Failed financial institutions that have become subject to an order to commence resolution procedures: Decision in connection with an order to commence said resolution procedures

4. With respect to the application of the provisions of Article 64, Paragraph 2 herein, costs estimated as necessary for extending loans based on the provisions of Paragraph 1 above shall be regarded as costs necessary to provide financial assistance under the provisions of Article 64, Paragraph 2 herein.

#### **Article 128. Loan of funds to Prevent a Decline in Asset Values**

1. In cases where an application is received from a financial institution stipulated in the items of Paragraph 1 of the preceding article (for financial institutions stipulated in Item (1) of the same paragraph, limited to such that have received a notification of commencement of reorganization procedures or rehabilitation procedures, or an order to commence resolution procedures) for a loan of funds necessary for preventing a decline in the values of loan claims or other assets held by said financial institution, the DIC may, when deeming it necessary and subject to a resolution of the Policy Board, make a decision to lend funds pursuant to said application, to the limit that such is necessary.

2. The provisions of Article 64, Paragraphs 3 and 4 shall apply mutatis mutandis when a decision is reached under the provisions of the preceding paragraph.

#### **Article 129. Purchase of Assets**

1. In addition to cases coming under the provisions of Chapter 3, Section 4 herein, the DIC may purchase assets held by a contracted bridge bank or a bank under special crisis management.

2. In cases where assets are purchased under the provisions of the preceding paragraph, the DIC shall comply with the criteria determined beforehand and publicly announced by the Prime Minister and the Minister of Finance.

3. Subject to a resolution of the Policy Board, when an application for the purchase of assets under the provisions of Paragraph 1 above is received from a contracted bridge

bank or a bank under special crisis management, the DIC shall, without delay, make a decision whether or not to purchase assets pursuant to said application.

4. When making a decision under the provisions of the preceding paragraph, the DIC shall immediately submit a report of the matters related to said decision to the Prime Minister and the Minister of Finance.

5. When a decision has been made to carry out a purchase of assets under the provisions of Paragraph 3 above, the DIC shall conclude an agreement regarding the purchase of said assets with said contracted bridge bank or bank under special crisis management.

#### **Article 130. Special Cases of Procedures for Convening General Meetings of Shinkin Banks, etc.**

1. Notwithstanding the provisions of Article 45 of the Shinkin Bank Law, Article 49 of the Law for the Cooperative Association of Small and Medium Enterprises and Article 49 of the Labor Bank Law, subject to the consent of all the members (if a labor bank, excluding individual members stipulated under the provisions of Article 13, Paragraph 1 of the Labor Bank Law) or association members, a general meeting of a Shinkin bank, etc., for the purpose of adopting a resolution to amend the articles of incorporation as necessary to carry out a business transfer, etc., under authorization of eligibility may be convened without the need to carry out formal procedures for the convocation of such meetings.

2. The provisions of the preceding paragraph shall apply mutatis mutandis to general representative meetings convened for the purpose of adopting a resolution regarding matters stipulated in the preceding paragraph. In such cases, “all members (if a labor bank, excluding individual members stipulated under the provisions of Article 13, Paragraph 1 of the Labor Bank Law) or association members” in Paragraph 1 above shall be amended to read “all representative members”, and “Article 45 of the Shinkin Bank Law, Article 49 of the Law for the Cooperative Association of Small and Medium Enterprises and Article 49 of the Labor Bank Law” in the same Paragraph shall be amended to read “Article 45 of the Shinkin Bank Law as governed mutatis mutandis by the provisions of Article 50, Paragraph 5 of the same law, Article 49 of the Law for the Cooperative Association of Small and Medium Enterprises as governed mutatis mutandis by the provisions of Article 55, Paragraph 6 of the same law, and Article 49 of the Labor Bank Law as governed mutatis mutandis by the provisions of Article 55, Paragraph 5 of the same law.”

#### **Article 131. Special Cases of Procedures for Protecting Creditors in Business Transfers, etc.**

1. When a decision has been made to provide financial assistance under the provisions of Article 64, Paragraph 1 herein for the purpose of facilitating a business transfer, etc., or transfer of insured deposits as stipulated under the provisions of Article 59, Paragraph 2, Item (3) herein, the assumption of financial obligations in connection with

said business transfer, etc., or transfer of insured deposits may be carried out without the consent of the creditors concerned with said financial obligations assumed by an assuming financial institution (said creditors referred to as “transferred creditors” in Paragraph 5 below).

2. The provisions of Article 34 and Article 35 of the Banking Law (including cases where such are governed mutatis mutandis by the provisions of Article 17 of the Long-Term Credit Bank Law, Article 89, Paragraph 1 of the Shinkin Bank Law, Article 6, Paragraph 1 of the Law Regarding Financial Business Conducted by Credit Cooperatives and Article 94, Paragraph 1 of the Labor Bank Law) shall not apply with respect to a business transfer, etc., pursuant to a decision as stipulated in the preceding paragraph.

3. When there is a business transfer, etc., or transfer of insured deposits pursuant to a decision under the provisions of Paragraph 1 above, within two weeks from the day of said decision, the failed financial institution and assuming financial institution shall post public notice of the fact of said business transfer, etc., or transfer of insured deposits together with a statement that any creditors objecting to this must lodge their objection within a specific period of time, and shall also individually notify known creditors other than depositors and other creditors stipulated by Cabinet Order.

4. The period of time stipulated in the preceding paragraph shall not be less than one month.

5. When there is an objection from transferred creditors within the period of time stipulated in Paragraph 3 above, the assumption of financial obligations pertaining to said transferred creditors shall lose effect retroactively to the time of said assumption, provided, however, that the rights of third parties may not be prejudiced thereby.

6. In cases where there is an objection from creditors of a failed financial institution within the period of time stipulated in Paragraph 3 above (limited to creditors concerned with financial obligations of a failed financial institution other than those assumed by an assuming financial institution by a business transfer, etc., or transfer of insured deposits under the provisions of Paragraph 1 above), when there are amounts owed to said creditors that cannot be repaid due to said business transfer, etc., or transfer of insured deposits, said creditors may demand payment of said claims from the assuming financial institution.

7. When there is an objection from the creditors of an assuming financial institution within the period of time stipulated in Paragraph 3 above (limited to creditors concerned with financial obligations of an assuming financial institution other than those assumed by a business transfer, etc., or transfer of insured deposits under the provisions of Paragraph 1 above), said assuming financial institution shall settle such claims, or shall provide collateral equivalent to such claims or place assets to an equivalent amount in trust with a bank engaged in trust business or trust company for the purpose of causing said creditors to receive settlement, provided, however, that this provision shall not

apply when there is no risk of prejudice to the interests of said creditors by said business transfer, etc., or transfer of insured deposits.

### **Article 132. Special Cases of Procedures for Change of Trustees in Succession of Trust Business**

1. Notwithstanding the provisions of Article 46, Article 49, Paragraph 1 and Article 71 of the Trust Business Law (Law No. 62 of 1922), when there is a decision to provide financial assistance under the provisions of Article 64, Paragraph 1 herein for the purpose of facilitating a transfer of business from a failed financial institution that is engaged in trust business as stipulated under the provisions of Article 1, Paragraph 1 of the Law Regarding Financial Institutions Engaged in Trust Business (Law No. 43 of 1943) to another financial institution engaged in said business, under the agreement concluded with an assuming financial institution subject to the said financial assistance (referred to in the remainder of this article and in the following article as “new trustee”) for the transfer of business, said failed financial institution may change the trustees with respect to the trusts that are assumed.

2. When a change of trustees has been carried out under the provisions of the preceding paragraph, the new trustee (excluding new trustees of special purpose trusts [as stipulated under the provisions of Article 2, Paragraph 12 of the Law Regarding Facilitating Transfer of Assets (Law No. 105 of 1998); the same shall also apply in the following article]; the same shall also apply in the remainder of this Article) shall immediately post public notice to the effect that any consignors of a trust that is the subject of said change (referred to in the remainder of this article as “transferred consignors”) and any beneficiaries of such a trust (referred to in the remainder of this article as “transferred beneficiaries”) who object to said change must lodge their objection within a specific period of time, and shall also individually notify known transferred consignors and transferred beneficiaries other than those concerned with loan trusts and other trusts stipulated by Cabinet Order as trusts under standard trust agreements (referred to as “standard trusts” in Paragraph 4).

3. The period of time stipulated in the preceding paragraph shall not be less than one month.

4. Subject to the consent of transferred beneficiaries, transferred consignors who lodge an objection within the period of time stipulated in Paragraph 2 above (excluding transferred consignors of standard trusts stipulated by Cabinet Order as trusts to which said consignors are entitled to all profits derived therefrom [referred to as “loan trusts, etc.” in Paragraphs 5 and 7 below]) may dismiss a new trustee provided such is within one month from the date on which said objection is lodged.

5. Subject to the consent of transferred consignors, transferred beneficiaries lodging an objection within the period of time stipulated in Paragraph 2 above (excluding transferred consignors of loan trusts, etc.) may dismiss a new trustee provided such is within one month from the date on which said objection is lodged.

6. The provisions of Article 45 of the Trust Business Law shall apply mutatis mutandis to a new trustee who has completed the duties stipulated in the preceding two paragraphs.

7. Transferred beneficiaries of loan trusts, etc., who lodge an objection within the period of time stipulated in Paragraph 2 above may submit a demand to the new trustee to purchase at a fair price the beneficiary rights to which they would otherwise be entitled had the change stipulated under the provisions of Paragraph 1 not occurred.

8. In cases where there is a demand under the provisions of the preceding paragraph, the new trustee shall purchase the beneficiary rights subject to said demand with said new trustee's own assets. In such cases, the provisions of Article 9 of the Trust Business Law and Article 11 of the Loan Trust Law (Law No. 195 of 1952) shall not apply.

9. The provisions of Article 245-3 and Article 245-4 of the Commercial Code and Article 126, Paragraph 1 and Article 132-6 of the Non-Contentious Cases Procedure Law shall apply mutatis mutandis to demands submitted under the provisions of Paragraph 7 above. In such cases, "date of decision" in Article 245-3, Paragraphs 1 through 3 of the Commercial Code shall be amended to read "date on which objection is lodged"; "shares" in Paragraphs 1, 2 and 5 of the same article shall be amended to read "beneficiary rights"; "shareholders" appearing in Paragraphs 2 and 3 of the same article shall be amended to read "transferred beneficiaries"; "Article 245-2," "shareholders" and "acts stipulated under the provisions of Article 245, Paragraph 1" in Article 245-4 of the Commercial Code shall be amended to read "Article 132, Paragraph 7 of the Deposit Insurance Law (Law No. 34 of 1971)," "transferred beneficiaries" and "transfer of business operations," respectively; "and Article 413-3, Paragraph 7" in Article 132-6, Paragraph 1 of the Non-Contentious Cases Procedure Law shall be amended to read "..., Article 413-3, Paragraph 7 and Article 132, Paragraph 9 of the Deposit Insurance Law (Law No. 34 of 1971)"; and "shareholders" in Paragraph 2 of the same article of the same law shall be amended to read "transferred beneficiaries." In addition to the above, other necessary technical amendments shall be as stipulated by Cabinet Order.

10. In cases where a change is made under the provisions of Paragraph 1 above, transferred beneficiaries or trust administrators shall not be required to witness the succession of business as stipulated under the provisions of Article 55, Paragraph 1 of the Trust Business Law.

11. When transferred beneficiaries or trust administrators do not witness the succession of business in cases when a change is carried out under the provisions of Paragraph 1 above, the provisions of Article 55, Paragraph 2 of the Trust Business Law shall not apply.

#### **Article 132-2.**

1. When there has been a change of trustees under the provisions of 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, without delay, convene a meeting of creditors

(referring to a meeting of creditors as stipulated under the provisions of Part 3, Chapter 3, Section 3, Title 1 of the Law Regarding Facilitating Transfer of Assets; the same shall also apply in the following paragraph) and shall obtain approval regarding said change of trustees. In such cases, the provisions of Article 183, Paragraph 3 of the same law shall not apply.

2. If the proposal presented for approval to the meeting of creditors under the provisions of the preceding paragraph is rejected, the duties of the new trustee of said special purpose trust shall be terminated.
3. The provisions of Article 45 of the Trust Business Law shall apply *mutatis mutandis* to a new trustee whose duties have been terminated as stipulated in the preceding paragraph.
4. Regarding the application of the provisions of Paragraphs 10 and 11 of the preceding article with respect to special purpose trusts, “transferred beneficiaries or trust administrators” therein shall be amended to read “representative creditors (referring to representative creditors as stipulated under the provisions of Article 2, Paragraph 16 of the Law Regarding Facilitating Transfer of Assets) or parties designated by a resolution of a meeting of creditors (referring to a meeting of creditors as stipulated under the provisions of Part 3, Chapter 3, Section 3, Title 1 of the same law.”

### **Article 133. Special Cases of Transfer of Fixed Mortgage**

1. When a financial institution under management seeks to transfer to a bridge bank or other financial institution (referred to as “successor financial institution” in the remainder of this article) fixed mortgage, together with all claims to be secured thereby, before the time at which principal becomes fixed through a transfer of business, said financial institution under management and said successor financial institution shall post public notice to the effect that any mortgagee objecting to any of the matters stipulated in the following items must lodge an objection with the financial institution under management within a specific period of time, or may notify said parties individually:

- (1) The fact that said fixed mortgage is to be transferred from said financial institution under management to a successor financial institution, and the date of said transfer
- (2) The fact that, even after the transfer of said fixed mortgage, said fixed mortgage is to continue to secure said claims

2. The period of time stipulated in the preceding paragraph shall not be less than two weeks.
3. When mortgagees of fixed mortgage who have received public notice or individual notification as stipulated under the provisions of Paragraph 1 above have not lodged objection to matters stipulated in the items of the same paragraph within the period of

time stipulated therein, said mortgagees shall be regarded as having consented to the matters stipulated in Item (1) of said paragraph, and agreement on the matters stipulated in Item (2) of said paragraph shall be regarded as having been reached between said mortgagees and the successor financial institution involved in said public notice or individual notification.

4. When mortgagees of fixed mortgage have lodged an objection to some of the matters stipulated in the items of Paragraph 1 above, said objection shall be regarded as having been lodged with respect to all matters stipulated in said items.

5. The provisions of Paragraphs 1 through 4 above shall apply mutatis mutandis in cases where a bridge bank or bank under special crisis management seeks to transfer to another financial institution fixed mortgage, together with all claims to be secured thereby, before the time at which principal becomes fixed through a transfer of business.

#### **Article 134. Special Cases of Procedures for Registration of Transfer of Fixed mortgage**

1. An application for registration of a transfer of a fixed mortgage in cases stipulated under the provisions of Paragraph 3 of the preceding article (including cases to which the provisions of Paragraph 5 of the same article apply mutatis mutandis) must be accompanied by documentation attesting to the fact that public notice or individual notification has been posted and that mortgagees have not lodged an objection within the period of time stipulated under the provisions of Paragraph 1 of the same article (including cases to which the provisions of Paragraph 5 of the same article apply mutatis mutandis).

2. When an application is accompanied by the documentation stipulated in the preceding paragraph, mortgagees may apply alone to register a change of fixed mortgage to the effect that claims subject to the transfer will be added to the scope of claims to be secured by fixed mortgage in cases stipulated under the provisions of Paragraph 3 of the preceding article (including cases to which the provisions of Paragraph 5 of the same article apply mutatis mutandis).

#### **Article 135. Special Cases of Taxation**

1. Registration stipulated under the provisions of Article 79 herein shall be exempted from registration and license tax.

2. In cases where rights to real estate (limited to that which has been confirmed to be appropriate as an asset owned by a bridge bank under the provisions of Article 93, Paragraph 2 herein) are acquired by said bridge bank by a transfer of the business of a financial institution under management pursuant to a decision stipulated in Article 91, Paragraph 1, Item (2) under the provisions of Paragraphs 1 or 2 of the same article (referred to in the following paragraph as “receipt of transfer based on decision”), the registration of the transfer of rights concerning said real estate shall be exempted from

registration and license tax provided that registration is received within one year following said acquisition as stipulated by ordinances of the Minister of Finance.

3. Regarding application of the provisions of Article 62-3 and Article 63 of the Special Taxation Measures Law to bridge banks, any transfer (referring to that stipulated under the provisions of Article 62-3, Paragraph 2, Item (1) a. of the same law) of rights to land or rights above land (limited to that which has been confirmed to be appropriate as an asset owned by a bridge bank under the provisions of Article 93, Paragraph 2 herein) acquired by said bridge bank by a receipt of transfer based on decision shall not be regarded as a transfer of land as stipulated under the provisions of Article 62-3, Paragraph 2, Item (1) of the same law.

### **Article 136. Submission of Reports and Materials**

1. When deeming it particularly necessary to ensure that the provisions of this Law are implemented efficiently, the Prime Minister (or, if concerning a labor bank or the Rokinren Bank, the Prime Minister and the Minister of Health, Labor and Welfare; the same shall also apply in Paragraph 2 below and the remainder of this Article) may require a financial institution (including any agency thereof) to submit reports and other materials regarding the condition of its business and assets.

2. When deeming it necessary to ensure that the provisions of this Law are implemented efficiently, the Prime Minister may require a subsidiary of a financial institution (in cases where said financial institution is a bank, a subsidiary as stipulated under the provisions of Article 2, Paragraph 8 of the Banking Law; in cases where said financial institution is a long-term credit bank, a subsidiary as stipulated under the provisions of Article 13-2, Paragraph 2 of the Long-Term Credit Bank Law; in cases where said financial institution is a Shinkin bank or the Shinkin Central Bank, a subsidiary as stipulated under the provisions of Article 32, Paragraph 6 of the Shinkin Bank Law; in cases where said financial institution is a credit cooperative or the Shinkumi Federation Bank, a subsidiary as stipulated under the provisions of Article 4, Paragraph 1 of the Law Regarding Financial Business Conducted by Credit Cooperatives; and in cases where said financial institution is a labor bank or the Rokinren Bank, a subsidiary as stipulated under the provisions of Article 34, Paragraph 5 of the Labor Bank Law (including companies that are regarded as subsidiaries); the same shall also apply in the following paragraph and the following article), or a party to whom the business of said financial institution has been consigned, to submit reports and other materials regarding the condition of the business and assets of said financial institution.

3. When there is sufficient justification, a subsidiary of a financial institution or party to whom the business of said financial institution has been consigned may refuse to submit reports and other materials as stipulated under the provisions of the preceding paragraph.

### **Article 137. On-Site Inspections**

1. When deeming it necessary to ensure that the provisions of this Law are implemented efficiently, the Prime Minister may authorize appropriate personnel to enter the business premises or other facilities of a financial institution (including any agency thereof; if a Shinkin bank, etc., the business offices thereof) and conduct inquiries regarding the condition of business or assets of said financial institution, or examine books, ledgers and other articles.
2. In cases where appropriate personnel are authorized to enter the premises of a financial institution and conduct inquiries or examinations as stipulated in the preceding paragraph, the Prime Minister may also, when deeming it to be of particular necessity, authorize said personnel to enter the facilities of a subsidiary of said financial institution or a party to whom the business of said financial institution has been consigned and conduct inquiries regarding the condition of business or assets of said financial institution or carry out other activity as necessary to conduct an examination of said financial institution, or examine books, ledgers and other articles, to the extent that such is necessary.
3. In cases stipulated under the provisions of the preceding two paragraphs, authorized personnel shall carry personal identification and produce such upon demand by relevant persons.
4. The authority with respect to matters stipulated under the provisions of Paragraphs 1 and 2 above shall not be construed as being delegated for the purpose of criminal investigation.
5. The provisions of Paragraph 3 of the preceding article shall apply mutatis mutandis to inquiries and examinations of a subsidiary of said financial institution or a party to whom the business of said financial institution has been consigned, as stipulated in Paragraph 2 above.
6. When deeming it necessary, the Prime Minister may authorize the DIC to enter premises and conduct inquiries or examinations as stipulated under the provisions of Paragraphs 1 or 2 above (limited to those whose purpose is to investigate the matters stipulated in the items below). In such cases, the DIC shall authorize its personnel to enter premises and conduct inquiries or examinations.
  - (1) That payment of insurance premiums is being made properly as stipulated under the provisions of Article 50, Paragraph 1 herein
  - (2) That measures are being implemented as stipulated under the provisions of Article 55-2, Paragraph 4 herein
  - (3) The estimated amounts to be repaid on deposits and other claims as stipulated under the provisions of Article 71, Paragraph 2 herein
7. The provisions of Paragraphs 3 through 5 above shall apply mutatis mutandis to on-site inspections, inquiries and examinations as stipulated in the preceding paragraph.

### **Article 138. Applicability of Cabinet Orders**

In addition to the provisions of this Law, matters necessary for the implementation of the provisions of this Law shall be as stipulated by Cabinet Order.

### **Article 139. Delegation of Authority**

1. The Prime Minister may delegate authority under this Law to the Commissioner of the Financial Services Agency, except when concerning the matters stipulated in the following items:

- (1) Appointments as stipulated under the provisions of Article 26, Paragraphs 1 or 2 herein
- (2) Removals as stipulated under the provisions of Article 26, Paragraph 3 or Article 29 herein
- (3) Approvals as stipulated under the provisions of Article 30 herein
- (4) Other matters as stipulated by Cabinet Order

2. In accordance with Cabinet Orders, the Commissioner of the Financial Services Agency may delegate part of the authority granted under the provisions of the preceding paragraph to the Director-Generals of the Local Finance Bureaus or Director-Generals of Local Finance Branch Bureaus.

### **Article 140. Interim Measures**

In cases where orders are issued, amended or abolished pursuant to this Law, additional interim measures (including interim measures concerning penal provisions) may also be determined in a manner that is rational and to the degree deemed necessary.

## **CHAPTER 9. PENAL PROVISIONS**

### **Article 141.**

1. A financial administrator or the deputy thereof who accepts, solicits or promises a bribe shall be subject to a term of imprisonment with labor of not more than three years or a fine of not more than 1,000,000 yen.
2. When a financial administrator or the deputy thereof is a juridical person, a director or employee of said juridical person who accepts, solicits, or promises a bribe while performing official duties shall be subject to a term of imprisonment with labor of not more than three years or a fine of not more than 1,000,000 yen. The same shall apply when a financial administrator or the deputy thereof is a juridical person and a director or employee thereof causes the financial administrator or the deputy thereof to accept a bribe, or solicits the offer of or promises a bribe, in connection with the official duties of a financial administrator or the deputy thereof.

3. Any bribe received by a criminal, or a juridical person that is a financial administrator or the deputy thereof shall be subject to confiscation. When confiscation of all or part of said bribe is not possible, a monetary amount to an equivalent value shall be levied.

#### **Article 142.**

Any party who offers, solicits, or promises a bribe as stipulated under the provisions of Paragraphs 1 or 2 of the preceding paragraph shall be subject to a term of imprisonment with labor of not more than three years or a fine of not more than 1,000,000 yen.

#### **Article 143.**

1. Any party who fails to submit reports or other materials as required under the provisions of Article 136, Paragraphs 1 or 2 herein, or who submits false reports or materials, shall be subject to a term of imprisonment with labor of not more than one year or a fine of not more than 3,000,000 yen.

2. Any party who fails to supply answers or supplies false answers to authorized personnel or DIC personnel as stipulated under the provisions of Article 137, Paragraphs 1, 2 or 6 herein, or otherwise refuses, hinders or evades inspection as stipulated under the same provisions shall be subject to the same punishment as stipulated in the preceding paragraph.

#### **Article 144.**

Any party who violates the requirement to maintain confidentiality under the provisions of Article 22 (including cases to which the provisions of Article 33 apply mutatis mutandis) or Article 82 herein shall be subject to a term of imprisonment with labor of not more than one year or a fine of not more than 500,000 yen.

#### **Article 145.**

1. The present or former president, directors, auditors, managers, counselors, or employees of a failed financial institution who fail to submit reports as stipulated under the provisions of Article 37, Paragraph 3 herein, submit false reports, or refuse, hinder or evade an inspection as stipulated under the provisions of Paragraph 3 of the same article shall be subject to a term of imprisonment of not more than one year or a fine of not more than 500,000 yen.

2. The present or former president, directors, auditors, managers, counselors, or employees of a financial institution under management who fail to submit reports as stipulated under the provisions of Article 81, Paragraph 1 herein (including cases where the amended readings in Article 77, Paragraph 1 are applicable; the same shall apply in the remainder of this paragraph), submit false reports, or refuse, hinder or evade an

inspection as stipulated under the provisions of Paragraph 1 of the same article shall be subject to the same punishment as stipulated in the preceding paragraph.

#### **Article 146.**

Parties committing any of the following acts shall be subject to a fine of not more than 500,000 yen:

- (1) Failure to submit reports or submission of false reports as stipulated under the provisions of Article 64-2, Paragraph 4 (including cases to which the provisions of Article 69, Paragraph 4 and Article 101, Paragraph 7 apply *mutatis mutandis*), Article 100 or Article 108, Paragraph 2 herein
- (2) Failure to submit reports or materials, or submission of false reports or materials as stipulated under the provisions of Article 80 or Article 115 herein

#### **Article 147.**

Directors or employees committing any of the following violations shall be subject to a fine of not more than 500,000 yen:

- (1) Failure to submit reports as stipulated under the provisions of Article 46, Paragraph 1 herein, submission of false reports, or refusal, hindrance or evasion of an inspection as stipulated under the provisions of the same paragraph
- (2) Failure to submit reports or submission of false reports as stipulated under the provisions of Article 56, Paragraph 4 (including cases to which the provisions of Article 57, Paragraph 5 and Article 72, Paragraph 5 apply *mutatis mutandis*); Article 64, Paragraph 3 (including cases to which the provisions of Article 69, Paragraph 4; Article 101, Paragraph 7; Article 118, Paragraph 4; Article 127, Paragraph 2; and Article 128, Paragraph 2 apply *mutatis mutandis*); 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 herein.

#### **Article 148.**

Any party who fails to submit materials or submits falsified materials as stipulated under the provisions of Article 37, Paragraph 1 or Article 55-2, Paragraph 2 herein shall be subject to a fine of not more than 300,000 yen.

#### **Article 149.**

1. When the representative (including managers of corporate associations or foundations that are not juridical persons [referred to in the remainder of this article as “non-juridical organizations”]) of a juridical person (including non-juridical organizations with stipulated provisions for representatives or managers; the same shall also apply in the remainder of this paragraph) or the agent or employee of a juridical

person or individual person violates any of the following provisions with respect to the business or assets of said juridical person or individual person, in addition to the punishment applicable to the person committing such acts, said juridical person shall also be subject to the following penalties and said individual person to the penalties stipulated in the respective articles cited:

- (1) Article 143 herein: A fine not to exceed 200,000,000 yen
- (2) Article 146 or Article 148 herein: The penalties applicable in the articles cited

2. In the event that the provisions of the preceding paragraph become applicable with respect to a non-juridical organization, the representative or manager thereof shall represent said non-juridical organization in cases of litigation, and the provisions of the Code of Criminal Procedure governing cases in which a juridical person is an accused or suspect shall apply.

#### **Article 150.**

1. In any of the following cases, the director or trustee of a financial institution or bank holding company, etc., that is in violation thereof shall be subject to a fine not to exceed 1,000,000 yen, provided, however, that this provision shall not apply when said conduct is subject to other punishment:

- (1) Negligent failure to post public notices, reports, notifications or individual notifications under the provisions of this Law, or falsifying same
- (2) Failure to submit applications or submission of false applications as stipulated in the provisions of Article 74, Paragraph 5 herein
- (3) Failure to transfer administrative operations to a financial administrator appointed under the provisions of Article 77, Paragraph 2 herein
- (4) Negligent failure to make settlement, supply collateral or place assets in trust as required under the provisions of Article 131, Paragraph 7 herein

2. Notwithstanding the cancellation of an order for management under the provisions of Article 75 herein, when the financial administrator does not transfer administrative operations to the directors or liquidator of a financial institution under an order for management, said party shall be subject to a fine not to exceed 1,000,000 yen, provided, however, that this provision shall not apply when said conduct is subject to other punishment.

3. In cases where the financial administrator of a financial institution stipulated in the following items becomes subject to the corresponding provisions, said party shall be subject to a fine not to exceed 1,000,000 yen, provided, however, that this provision shall not apply when said conduct is subject to other punishment:

- (1) Banks: Each item of Article 498, Paragraph 1 of the Commercial Code or each item of Article 65 of the Banking Law
- (2) Long-term credit banks: Each item of Article 498, Paragraph 1 of the Commercial Code or each item of Article 27 of the Long-Term Credit Bank Law
- (3) Financial institutions engaged in trust business under the provisions of Article 1, Paragraph 1 of the Law Regarding Trust Business Conducted by Financial Institutions: Each item of Article 10 of the same law
- (4) Shinkin banks and the Shinkin Central Bank: Each item of Article 91 of the Shinkin Bank Law
- (5) Credit cooperatives and the Shinkumi Federation Bank: Each item of Article 12, Paragraph 1 of the Law Regarding Financial Business Conducted by Credit Cooperatives
- (6) Labor banks and the Rokinren Bank: Each item of Article 101, Paragraph 1 of the Labor Bank Law

4. In cases where the financial administrator of a credit cooperative or the Shinkumi Federation Bank becomes subject to the provisions of any item of Article 115 of the Law for the Cooperative Association of Small and Medium Enterprises, said party shall be subject to a fine not to exceed 200,000 yen, provided, however, that this provision shall not apply when said conduct is subject to other punishment.

#### **Article 151.**

Executives of the DIC committing acts enumerated in the following items shall be subject to a penalty of not more than 200,000 yen:

- (1) Failure to obtain the approval of the Prime Minister and the Minister of Finance as required under the provisions of this Law
- (2) Negligent failure to execute registration as provided for by Cabinet Order under the provisions of Article 7, Paragraph 1 herein
- (3) Carrying out business other than that stipulated under the provisions of Article 34 herein
- (4) Failure to prepare or disclose documentation as required under the provisions of Article 40, Paragraph 3 herein
- (5) Failure to compute liability reserves or set aside such reserves as required under the provisions of Article 41 herein
- (6) Investment of surplus funds in violation of the provisions of Article 43 herein

(7) Failure to comply with orders issued by the Prime Minister and the Minister of Finance as required under the provisions of Article 45, Paragraph 2 herein

(8) Failure to submit reports or submission of false reports under the provisions of Article 55, Paragraphs 3 and 4; Article 59, Paragraph 7 (including cases to which the provisions of Article 59-2, Paragraph 3 (including cases to which the provisions of Article 69, Paragraph 4 apply mutatis mutandis); Article 69, Paragraph 4; Article 101, Paragraph 5; and Article 118, Paragraph 2 apply mutatis mutandis); Article 60, Paragraph 3; Article 61, Paragraph 7 (including cases to which the provisions of Article 62, Paragraph 4 (including cases to which the provisions of Article 101, Paragraph 7 and Article 118, Paragraph 4 apply mutatis mutandis); Article 101, Paragraph 5; and Article 118, Paragraph 2 apply mutatis mutandis); Article 66, Paragraph 4 (including cases to which the provisions of Article 101, Paragraph 7 and Article 118, Paragraph 4 apply mutatis mutandis); or Article 120, Paragraph 3 herein.

**Article 152.**

Any party who violates the provisions of Article 6, Paragraph 2 herein shall subject to a fine of not more than 200,000 yen.

## **Supplementary Provisions**

### **Date of Enforcement**

#### **Article 1**

This Law shall come into force on the date of its promulgation.

### **Transitional Provisions**

#### **Article 2**

1. The provisions of this Law shall not apply to any financial institution in which an insurable contingency has already occurred, or which has been stipulated by Cabinet Order to have been under similar conditions, at the establishment of the Deposit Insurance Corporation (DIC hereafter).

2. Any financial institution that falls under the provisions of the preceding paragraph shall be eligible for the application of this law if its business or operation and the condition of its assets have been recognized to become sound after the establishment of the DIC, and if it has been designated by the Minister of Finance as such, as from the date of such designation.

#### **Article 3**

The provisions of Article 6, Paragraph 2 shall not be applicable for six months after the enforcement of this law to any institution that uses in its title the words "Deposit Insurance Corporation" at the time of the enforcement of this law.

#### **Article 4**

Notwithstanding the provisions of Article 38, the first business year of the DIC shall begin on the day of its establishment and end on March 31 of the following year.

#### **Article 5**

As for the budget and financing plans for the first business year of the DIC, the words "before the start of the respective business year" in Article 39 shall be amended to read "without delay after the establishment of the DIC."

#### **Article 6**

1. Notwithstanding the provisions of Article 50, Paragraph 1, financial institutions shall pay insurance premiums to the DIC within one month after the establishment of the DIC which are due in the business year on which the establishment of the DIC falls.

2. As for the amount of insurance premiums mentioned in the preceding paragraph, the words "the day on which premiums are to be paid" and "the number of months" in Article 51, Paragraph 1 shall be amended to read "the day on which the DIC was established" and "the number of months left after and including the month on which that day falls," respectively.

#### **Article 6-2**

1. Notwithstanding the provisions of Article 54, insurable contingencies (excluding insurable contingencies concerning the decision to provide special financial assistance

stipulated in Article 16, Paragraph 5 of the Supplementary Provisions or the decision to conduct special purchase of deposits and other claims stipulated in Article 17, Paragraph 4 of the Supplementary Provisions) shall have occurred for the period between April 1, 2001 and March 31, 2003, both inclusive, and the amount of insurance claims paid to depositors, etc., in a financial institution subject to a single insurable contingency shall be the total amount of claims related to deposits, etc., held by said depositors, etc., in said financial institution as of the day the insurable contingency occurred, where said claims shall be calculated per categories of deposits, etc., provided by the following items (limited to the claims held at the time by such depositors, etc., submit a claim as stipulated in Article 53 of Paragraph 1 (including those no longer held due to a partial payment under the provisions of Paragraph 4 of the same article or a repayment of deposits, etc., in connection with lending under the provisions of Article 127, Paragraph 1); the same shall also apply in the remainder of this paragraph), and said deposits, etc., shall exclude foreign currency deposits and other deposits stipulated by Cabinet Order (the same shall apply in the remainder of this article).

- (1) Deposits for fund transfer operations (hereinafter “the specific deposits” in this paragraph) as stipulated by Cabinet Order: aggregating amount of principal and interest, etc., of claims related to said specific deposits (or, if held in more than one aggregating amount by the same party, the total of such amounts).
- (2) Other deposits, etc., (hereinafter “the other deposits, etc.” in this article) except for the specific deposits: aggregating amount of principal and interest, etc., of claims related to said other deposits, etc., (or, if held in more than one aggregating amount by the same party, the total of such amounts).

2. If the amount of principal (or, if held in more than one amount by the same party, the total of such amounts) stipulated in Item (2) of the preceding paragraph exceeds the maximum insured amount, the amount of insurance claims shall be the total of the maximum insured amount plus the amount of interest attributable to the principal corresponding to the maximum insured amount. In such cases, when the amount of the principal is held in more than one amount by the same party, the principal corresponding to the maximum insured amount shall be the total of the amounts of principal stipulated in each of said items up to the maximum insured amount stipulated in each item of Article 54, Paragraph 2.

3. Notwithstanding the provisions of the preceding two paragraphs, the amount of insurance claims payable to depositors, etc., affected by the insurable contingency who have received a partial payment as stipulated under the provisions of Article 53, Paragraph 4 or the repayment of deposits, etc., in connection with a loan under the provisions of Article 127, Paragraph 1 herein with respect to an insurable contingency shall be reduced by an amount equal to said partial payment or said repayment of deposits, etc., in connection with a loan under the provisions of said paragraph, per categories of deposits, etc., in each item of Paragraph 1 and as stipulated by Cabinet Order.

### **Special Cases for Insurance Premiums**

#### **Article 6-2-2**

1. Notwithstanding the provisions of Article 51, Paragraph 1, the amount of the deposit insurance premium for the business year starting on April 1, 2001 shall be the total of each amount calculated for each financial institution by separately dividing the total amount of deposits, etc., (excluding foreign currency deposits and other deposits, etc., designated by Cabinet Order, the same shall also apply in the remainder of this article) for fund transfer operations as stipulated by Cabinet Order (hereinafter “the specific deposits” in this article) and the total amount of the deposits other than the specific deposits (hereinafter “the other deposits, etc.” in this article) for the last day of the business year immediately preceding the business year including the day on which premiums are to be paid by twelve (12), multiplying each figure by the number of months in the business year starting on April 1, 2001, multiplying each amount thus calculated by each premium rate decided by the DIC through a resolution of the Policy Board.

2. Notwithstanding the provisions of Article 51, Paragraph 1, the amount of the deposit insurance premium for the business year starting on April 1, 2002 shall be the total of each amount calculated for each financial institution by separately dividing the average amount of the total amount of the specific deposits and the other deposits, etc., for each day of the business year immediately preceding the business year including the day on which premiums are to be paid by twelve, multiplying each figure by the number of months in the business year starting on April 1, 2002, multiplying each amount thus calculated by each premium rate decided by the DIC through a resolution of the Policy Board (provided, however, that holidays stipulated under the provisions of Article 15, Paragraph 1 of the Banking Law are not included in the days used for calculation (including cases applied mutatis mutandis under the provisions of Article 17 of the Long-Term Credit Bank Law; Article 89, Paragraph 1 of the Shinkin Bank Law; Article 6, Paragraph 1 of the Law Regarding Financial Business Conducted By Credit Cooperatives; and Article 94, Paragraph 1 of the Labor Bank Law)).

### **Special Cases for Operations**

#### **Article 6-2-3**

In addition to the operations stipulated in Article 34, the DIC may, for the time being, conduct operations stipulated in the following article through Article 7 of the Supplementary Provisions and Article 8-2, Paragraph 1 of the Supplementary Provisions.

### **Asset Purchase of Transferee of Exceptional Assets**

#### **Article 6-3**

1. When a party to whom the assets of the failed financial institution who made the business transfer pursuant to the decision on financial assistance under the provisions of Article 64, Paragraph 1 (for the decision made prior to the date of enforcement of the Law concerning Partial Amendment of the Deposit Insurance Law (Law No. 96 of 1996) only) were transferred (excluding the assuming financial institution involved in said business transfer; said party shall be hereinafter called “the specific transferee” in this article), a party to whom the assets of the assuming financial institution involved in said business transfer (such assets shall be limited to those transferred from said failed financial institution to said assuming financial institution through said business transfer;

said assets shall be hereinafter called “the special assets” in this paragraph) were transferred (hereinafter “the special transferee” in this article), or a party who made loans to the specific transferee or the special transferee to provide financial assistance necessary for the transfer of the assets or the special assets of said failed financial institution (hereinafter “the exceptional assets” in this paragraph) and to whom said exceptional assets were transferred in lieu of the repayment of the debt concerning said loans (hereinafter “the transferee of exceptional assets” in this paragraph and Paragraph 5) makes an application for purchase of the assets of said failed financial institution transferred to said specific transferee up to March 31, 2001, said special assets transferred to said special transferee up to the date defined above, or the exceptional assets transferred to the transferee of exceptional assets in lieu of the repayment of said debt up to the date defined above, as the case may be, then the DIC may purchase said assets.

2. Upon receipt of an application under the provisions of the preceding paragraph, and subject to a resolution of the Policy Board, the DIC shall, without delay, make a decision whether or not to purchase the assets concerning said application.
3. When making a decision to purchase the assets as stipulated in the preceding paragraph, the DIC shall obtain prior approval from the Prime Minister and the Minister of Finance.
4. If the Prime Minister and the Minister of Finance recognizes that asset transfer from a failed financial institution or an assuming financial institution to a specific transferee or a special transferee was necessary for smooth business transfer of said failed financial institution or for sound and proper operation of said assuming financial institution, they shall grant approval of the preceding paragraph.
5. When the DIC has made a decision to purchase the assets stipulated in paragraph 2, the DIC and the specific transferee, special transferee, or transferee of exceptional assets (hereinafter “the transferee of exceptional assets”) shall conclude an agreement for purchasing said assets.

### **Compensating the transferee of exceptional assets for losses**

#### **Article 6-4**

1. In such cases, the DIC purchases assets stipulated in Paragraph 1 of the preceding article (including such cases where the contracted bank conducts asset purchased by commission from the DIC as stipulated in Article 10, Paragraph 1 of the Supplementary Provisions), the transferee of exceptional assets (limited to financial institutions; the same shall apply mutatis mutandis in the remaining of this paragraph) applies compensation for losses attributed to the disposition of said assets, and, subject to a resolution of the Board, the DIC may compensate for such losses limited to the amount calculated as said losses stipulated by the Cabinet Order.
2. When compensating for losses as stipulated in the preceding paragraph above, the DIC shall first seek approval of the Prime Minister and the Minister of Finance.

3. If the Prime Minister and the Minister of Finance recognize that, unless the compensation for losses stipulated in paragraph 1 is provided, there may be a serious threat to the maintenance of an orderly financial system, they shall grant approval of the preceding paragraph.

### **Special Cases for Operations concerning Contracted Bank**

#### **Article 7**

The DIC may conclude an agreement (hereinafter “an agreement”) with the bank whose purpose, among others, is to consolidate business succeeded from failed financial institutions (a failed financial institution, a bridge bank or a bank under special crisis management; hereinafter the same) by merger or transferred from failed financial institutions and claims concerning assumed deposits, etc., and conduct disposing and managing assets (hereinafter “resolution and collection operations”) purchased through commission stipulated under Article 10, Paragraph 1 of the Supplementary Provisions, and may conduct the following operations to execute said agreement.

- (1) To provide financing for ensuring sound resolution and collection operations of the bank that has concluded an agreement (hereinafter “the contracted bank”)
- (2) To provide financing to the contracted bank for compensating for losses stipulated under Article 10-2 of the Supplementary Provisions, loans made by the contracted bank as stipulated in Article 11, Paragraph 1, or guarantees for funding as stipulated in the same paragraph
- (2-2) To collect money paid by the contracted bank stipulated in Paragraph 1, Item (2-2) of the following article
- (3) To provide guidance and advice as necessary for resolution and collection operations by the contracted bank
- (4) To inspect as necessary for operations provided by Item (1), Item (2) or the preceding item
- (5) To inspect the assets of the debtor where it is likely that said assets (including real estate offered by a third party as collateral for the claims against said debtor; the same shall apply to the remaining provisions of this item, the following item, Article 8, Paragraph 1, Item (7) and Item (8)) may be concealed behind any claims concerning claimable assets from loans and any other assets succeeded or obtained by the contracted bank pursuant to an agreement (hereinafter “the transferred assets”), or otherwise it shall be deemed especially necessary to clarify the actual conditions of the assets of the debtor, all for the purpose of ensuring smooth implementation of the resolution and collection of the debts pursuant to an agreement made by the contracted bank and of securing payment by the contracted bank pursuant to Item (2-2).
- (6) To ensure smooth resolution and collection operations according to the terms of an agreement and to ensure monetary payment by the contracted bank in Item (2-2), when deeming it necessary and commission from the contracted bank, if the debtor’s assets related to the claims of the transferred claims concerned have been mortgaged in complicated situation or require considerable expertise for collection, the DIC shall collect such claims.
- (7) To conduct operations incidental to the operations in each item above

2. The Governor of the DIC shall appoint personnel with legal and practical knowledge in financial transactions, real estate transactions and civil procedures as staff members and shall establish necessary systems to perform said operations effectively.

## **Agreement**

### **Article 8**

1. An agreement must include the following items.

- (1) When the contracted bank receives a recommendation from the Prime Minister as stipulated in Article 62, Paragraph 1, Article 101, Paragraph 6 or Article 118, Paragraph 3 concerning assumption of business, it shall apply to the DIC to provide necessary financial assistance to support said assumption of business and when an agreement of said financial assistance is concluded with the DIC, the contracted bank shall merge with the failed financial institution concerning said recommendation, be transferred its business or undertake the debts concerning its deposits, etc., conduct resolution and collection operations concerning the business or the debts concerning its deposits, etc., of said failed financial institution.
- (2) In cases where the contracted bank concludes an agreement with the DIC following the DIC's application of the commission for asset purchase stipulated under Article 10, Paragraph 1 of the Supplementary Provisions, the contracted bank shall subrogate the asset purchase concerning said commission for the DIC and conduct resolution and collection operations concerning the purchased asset.
- (2-2) When incurring a profit in connection with the performance of activities stipulated under the terms of an agreement, as stipulated by Cabinet Order, the contracted bank shall pay equivalent amount of said profit to the DIC each business year.
- (3) When concluding an agreement concerning the asset purchase stipulated in Item (2) above or an agreement for borrowing funds subject to debt guarantee stipulated in Article 11, Paragraph 1 of the Supplementary Provisions, the contracted bank shall obtain prior approval of the DIC on the contents of said agreement to be concluded.
- (4) When conducting assumption of business stipulated in Item (1) above or asset purchase stipulated in Item (2) above, the contracted bank shall, as soon as possible, make an execution plan and financing plan concerning said business transfer or resolution and collection operations of asset purchase and shall obtain approval of the DIC.
- (5) When the contracted bank intends to revise the execution plan or financing plan, it shall obtain prior approval of the DIC.
- (6) When submitting the interim operation report and operation report to the Prime Minister as stipulated under the provisions of Article 19, Paragraph 1 or Paragraph 2 of the Banking Law, the contracted bank shall concurrently submit such reports to the DIC.
- (7) If the contracted bank recognizes that there are possibilities that the debtor's assets related to the claims of the transferred claims concerned have been concealed or have difficulties in identifying the actual conditions of assets, the contracted bank shall, as soon as possible, report such fact to the DIC.
- (8) As requested by the DIC, the contracted bank shall commission collection operations to the DIC, if the debtor's assets related to the claims of the transferred

claims concerned have been mortgaged in complicated situation or require considerable expertise for collection.

- (9) In addition to the provisions as stipulated in Item (7), if the contracted bank has difficulties in conducting resolution and collection operations, it shall, as soon as possible, report such fact to the DIC for its guidance and advice.
- (10) If the directors and employees of the contracted bank suspect criminal conduct during the performance of their duties of collection and resolution operations stipulated by an agreement, said contracted bank shall immediately arrange a system by which such report will be delivered as well as notify such fact to the DIC and implement necessary measures to bring a charge against such fact.

2. When the DIC concludes an agreement, the DIC shall decide the contents of the agreement subject to resolution of the Policy Board and shall obtain approval of the Prime Minister and the Minister of Finance.

3. The Prime Minister and the Minister of Finance shall not grant approval unless they recognize that the contents of an agreement satisfy the provisions of laws and regulations and the bank that intends to conclude the agreement with the DIC will be able to adequately conduct resolution and collection operations provided by the agreement.

### **Special Agreement**

#### **Article 8-2**

The DIC may conclude an agreement (“special agreement” in this article and Article 11 of the Supplementary Provisions) regarding merger (“special merger” in this article and Article 11 of the Supplementary Provisions) with the claim resolution company (“claim resolution company” in Item (1) of the following paragraph) stipulated in Article 3, Paragraph 1, Item (2) of the Law Concerning Special Measures for Promotion of Disposal of Claims and Debts of Specific Jusen Companies (Law No. 93 of 1996) and implement necessary measures to execute said special agreement.

2. A special agreement shall include the following items:

- (1) The contracted bank shall designate the claim resolution company as the surviving company after said special merger.
- (2) Following the special merger, the contracted bank shall separate the accounts concerning the operations succeeded from the contracted bank prior to such special merger, resolution and collection operations stipulated in Article 7, Paragraph 1, of the Supplementary Provisions, and other operations that the DIC considers appropriate for operations by the contracted bank, from the accounts concerning other operations and establish special accounts to conduct such operations.
- (3) The contracted bank shall, following the special merger, allot to the shareholders of the contracted bank prior to such special merger taking place such shares as shall contain special provisions under which a preferential payment shall be made up to a certain amount and any excess amount shall not be paid in distributing the remaining assets.

3. The provisions of Paragraph 2 and Paragraph 3 of the preceding article shall apply to the conclusion of a special agreement. In such cases, “the bank that concludes an agreement with the DIC will be able to conduct resolution and collection operations provided by an agreement” in the same paragraph shall be amended to read “the contracted bank that concludes a special merger provided by a special agreement.”

## **Subscription**

### **Article 9**

When the DIC makes a subscription provided in Article 7, Paragraph 1, Item (1) of the Supplementary Provisions, the amount of the subscription shall be decided by a resolution of the Policy Board and shall require approval of the Prime Minister and the Minister of Finance.

## **Commission of Asset Purchase**

### **Article 10**

1. The DIC may commission the contracted bank to purchase assets in lieu of the DIC in the following cases:

- (1) When deciding to provide financial assistance including asset purchase stipulated in Article 64, Paragraph 1 (including such cases in which Article 69, Paragraph 4 and Article 101, Paragraph 7 apply)
- (2) When deciding to purchase assets of a contracted bridge bank or a bank under special crisis management stipulated by Article 129, Paragraph 3
- (3) When deciding to purchase assets of transferee of exceptional assets stipulated by Article 6, Paragraph 3, Item (2) of the Supplementary Provisions

2. When the DIC applies a commission provided by the preceding paragraph, subject to a resolution of the Policy Board, it shall determine the purchase price of the asset concerning the decision of the preceding paragraph and the conditions such as compensation for losses stipulated in the following article and others regarding said commission, and present such conditions to the contracted bank.

3. When an agreement concerning the commission of asset purchase stipulated under Paragraph 1 between the DIC and the contracted bank has been concluded, the DIC shall immediately report said fact to the Prime Minister and the Minister of Finance.

4. Notwithstanding the provisions of Article 64, Paragraph 4 (including such cases that Article 69, Paragraph 4 and Article 101, Paragraph 7 shall be applied) and Article 129, Paragraph 5, when an agreement concerning commission (limited to those stipulated in Paragraph 1, Item (1) or Item (2)) stipulated by the preceding paragraph between the DIC and the contracted bank has been concluded, the agreement concerning asset purchase shall be concluded between the contracted bank and an asset holding financial institution (a failed financial institution, the party which acquired the assets of a failed financial institution by merger or of a bridge bank by succession as stipulated in Article 101, Paragraph 2, a contracted bridge bank or a bank under special crisis management which holds said asset; the same shall apply mutatis mutandis to the following paragraph).

5. When an agreement provided in the preceding paragraph between the contracted bank and an asset holding financial institution (a failed financial institution, the party which acquired the assets of a failed financial institution or of a bridge bank by merger or by succession as stipulated in Article 101, Paragraph 2) has been concluded, it is deemed that said agreement has been concluded as stipulated by Article 64, Paragraph 4 (including such cases that Article 101, Paragraph 7 shall be applied) between the DIC and said asset holding financial institution and the provisions of Article 65 (including cases in which Article 101, Paragraph 7 applies) shall be applied.

6. When an agreement concerning commission (limited to those stipulated in Paragraph 1, Item (3)) provided in paragraph 3 between the DIC and the contracted bank has been concluded, notwithstanding the provisions of Article 6-3, paragraph 5 of the Supplementary Provisions, the agreement regarding the asset purchase of transferee of exceptional assets concerning the decision of paragraph 1 shall be concluded between the contracted bank and the transferee of exceptional assets.

### **Compensation for Losses**

#### **Article 10-2**

When the contracted bank incurs a loss in connection with the performance of activities stipulated under the terms of a contract, the DIC may make compensation for said loss to the limit defined in said Cabinet Order.

### **Loan of Funds and Guarantee of Financial Obligations**

#### **Article 11**

1. When the contracted bank submits an application to the DIC for the loan of funds necessary to reimburse the deposits, etc., succeeded or assumed by assumption of business as stipulated by an agreement, to purchase assets stipulated by an agreement, to ensure the efficient performance of resolution and collection operations or to ensure smooth transaction of a special merger stipulated by a special agreement, or a guarantee of financial obligations incurred in connection with borrowings made by a contracted bank with a view to raising such funds, the DIC may, when deeming it necessary and subject to a resolution of the Policy Board, provide said loans or guarantee of financial obligations.

2. When an agreement regarding loans or guarantees of financial obligations incurred under the provisions of the preceding paragraph between the DIC and the contracted bank has been concluded, the DIC shall immediately submit a report of the matters contained therein to the Prime Minister and the Minister of Finance.

### **Arrange Fund Accommodation**

#### **Article 12**

The DIC shall make an effort to arrange fund accommodation to ensure the efficient performance of resolution and collection operations by the contracted bank stipulated under the terms of a contract.

### **Cooperation Request**

#### **Article 13**

When necessary for the performance of the activities stipulated under the provisions of Article 7, Paragraph 1 of the Supplementary Provisions, the DIC may conduct inquiries to or request cooperation from the government, public institutions and other entities.

### **Submission of Report**

#### **Article 14**

When necessary for the performance of the activities stipulated under the provisions of Article 7, Paragraph 1 of the Supplementary Provisions, the DIC may require the contracted bank to submit reports regarding execution of an agreement or its financial conditions.

### **Confirmation of Current Conditions, Inquiries, Presentation of Ledgers**

#### **14-2**

1. When deeming it necessary to conduct operations mentioned in Article 7, Paragraph 1, Item (5) of the Supplementary Provisions or operations (“specific operations” in the remainder of this article) regarding collection of claims (“specific claims” in the following paragraph) acquired by the DIC in accordance with asset purchase concerning special financial assistance stipulated in Article 16, Paragraph 5 of the Supplementary Provisions, within the necessary limits, personnel of the DIC may enter the business premises, residences or other facilities that the following listed parties own or possess, confirm the current conditions of said assets, conduct inquiries or request presentation of ledgers or documents (“ledgers” in the remainder of this article and Article 24, Paragraph 2, Item (4) of the Supplementary Provisions) concerning assets or explanation of said ledgers. However, entering a residence shall be subject to approval of the resident (including a party who has been entrusted with the management of said residence by said resident; the same shall apply to the following paragraph).

- (1) Debtors concerning specific operations
- (2) The third parties who possess the assets of a debtor concerning special operations and the third parties who have relevant reasons to be recognized to possess said assets
- (3) Parties who have claims or debts against a debtor concerning special operations and parties who have relevant reasons to be recognized to acquire the assets from said debtor
- (4) Entities whose shareholders or subscribers are debtors of special operations

2. When deeming it necessary to conduct special operations, within the necessary limit, personnel of the DIC may enter the real estate offered as collateral to a claim of transferred assets concerning a specific claim or to a specific claim by a third party, confirm the current conditions of said real estate collateral, conduct inquiries about said real estate collateral to the following parties or request presentation of ledgers concerning said real estate collateral and explanation of said ledgers, provided, however, entering a residence shall be subject to prior approval of said resident.

- (1) The owner of said real estate collateral and the party who has relevant reasons to be recognized as acquiring said real estate collateral from the owner
- (2) The third party who possesses said real estate collateral and the third party who has relevant reasons to be recognized as possessing such real estate.

### **Article 14-3**

1. In cases stipulated under the provisions of the preceding article, personnel of the DIC shall carry personal identification and present such upon demand by relevant parties.
2. The authority with respect to matters stipulated under the provisions of the preceding article shall not be construed as being delegated for the purpose of criminal investigation.

### **Authority to Collect Claims**

#### **Article 15**

When conducting operations provided in Article 7, Paragraph 1, Item (6) of the Supplementary Provisions, the DIC, in its own name, for the contracted bank, has the power to enforce judicial or non-judicial acts concerning collection for claims entrusted by the contracted bank.

### **Special Cases for Financial Assistance**

#### **Article 16**

1. Within the period not exceeding March 31, 2002, when the DIC recognizes that the estimated cost for financial assistance applied in accordance with Article 59, Paragraph 1 or Paragraph 4 or Article 60, Paragraph 1, exceeds the cost estimated to pay the amount of insurance claims (referring to the amount of insurance claims calculated in accordance with Article 54, Paragraph 1 through Paragraph 3) for an insurable contingency of a failed financial institution concerning said financial assistance, the DIC must report said fact to the Prime Minister and the Minister of Finance prior to a decision stipulated under Article 64, Paragraph 1 concerning said application.
2. Upon receiving a report stipulated under the preceding paragraph, if the Prime Minister and the Minister of Finance recognize that, unless merger, etc., concerning the application of financial assistance of said report is not conducted, there may be a serious threat to maintenance of an orderly financial system, they shall approve said merger for maintaining an orderly financial system and notify said fact to the DIC.
3. The provisions under Article 61, Paragraph 4 will be applicable to such cases when the Prime Minister and the Minister of Finance make approval as stipulated in the preceding paragraph.
4. When the Prime Minister and the Minister of Finance make approval as stipulated in Paragraph 2, they may conduct a hearing from the Bank of Japan if considered necessary.
5. The provisions of Article 64, Paragraph 2 shall not be applicable to such cases where financial assistance (hereinafter "special financial assistance") concerning a merger approved under Paragraph 2 is to be resolved by the Policy Board as stipulated under Paragraph 1 of the same article. The Policy Board may adopt a resolution to provide said special financial assistance when it is recognized that the amount of such does not

exceed the necessary limits for the purpose of carrying out said merger, etc., in light of the financial condition of the failed financial institution concerned.

6. If a report as stipulated under Paragraph 1 has been delivered, the provisions of Article 110, Paragraph 3 (including cases in which the provisions of Article 119 shall apply mutatis mutandis) shall not be applied to financial assistance concerning said report.

## **Special Cases for Purchasing Deposits and Other Claims**

### **Article 17**

1. Within the period not exceeding March 31, 2002, when the DIC makes a decision to purchase deposits and other claims as provided in Article 70, Paragraph 1, the DIC must first report said fact to the Prime Minister and the Minister of Finance.

2. When receiving a report as provided in the preceding paragraph, if the Prime Minister and the Minister of Finance recognize that the estimated proceed payment rate, stipulated under the provisions of Article 71, Paragraph 2, concerning the purchase of deposits and other claims of said report might pose a serious threat to maintaining an orderly financial system, they shall determine an estimated proceed payment rate (hereinafter “special reimbursement rate”) necessary for maintaining an orderly financial system and notify it to the DIC.

3. The provisions of Article 71, Paragraph 3 and Paragraph 4 of the preceding article shall be applied mutatis mutandis to such cases when the Prime Minister and the Minister of Finance determine the special reimbursement rate.

4. The approval stipulated in Article 71, Paragraph 1 is not required in such cases when the DIC has made a decision as stipulated in Article 70, Paragraph 1 concerning the purchase of deposits and other claims, (hereinafter “special purchase of deposits and other claims”) which defines the estimated proceed payment rate as the special reimbursement rate.

## **Separate Accounting**

### **Article 18**

1. The DIC shall separate accounts concerning the following operations from other accounts and shall establish a special account (hereinafter “Special Operations Account”) to consolidate.

(1) Special financial assistance concerning operations provided in Article 34, Item (3)

(1) Special purchase of deposits and other claims concerning operations provided in Article 34, Item (4).

(2-2) Operations stipulated under Article 6-3, Paragraph 1 and Article 6-4, Paragraph 1 of the Supplementary Provisions

(3) Operations stipulated under Article 7, Paragraph 1 of the Supplementary Provisions (excluding operations to be started on and after April 1, 2002 stipulated by Cabinet Order)

(3-2) Operations stipulated under Article 8-2, Paragraph 1 of the Supplementary Provisions

- (4) Collection of special insurance premiums provided in Paragraph 1 of the following article
- (5) Operations incidental to the preceding items

2. When special financial assistance is implemented, the DIC shall transfer an amount equivalent to the estimated cost to pay insurance (payment based on insurance amount calculated according to the provisions of Article 54, Paragraphs 1 through 3) for an insurable contingency of a failed financial institution concerning special financial assistance from the General Account to the Special Operations Account.

### **Special Insurance Premium**

#### **Article 19**

1. Other than insurance premiums stipulated in Article 50, Paragraph 1, for the period through FY1996 to FY2001, both inclusive, financial institutions shall pay special insurance premiums to the DIC to allocate for the cost required to implement special operations (operations stipulated in Paragraph 1 of the preceding article: hereinafter the same) of the DIC.
2. The provisions under Article 50, Article 51, Paragraph 1 and Article 52 shall be applicable mutatis mutandis to the special insurance premiums in the preceding paragraph. In such cases “a premium rate (hereinafter “premium rate” in this article) decided by the DIC through a resolution of the Policy Board” in Article 51, Paragraph 1 is amended to read “a special premium rate stipulated in Article 19, Paragraph 3 of the Supplementary Provisions.”
3. The special premium rate shall be decided by Cabinet Order considering the estimated cost (excluding the estimated cost to be paid by transferring from the General Account to the account required for special operations as stipulated in Paragraph 2 of the preceding article) and financial conditions of financial institutions. In this case, the special premium rate stipulated by Cabinet Order shall in no way be applied in a discriminatory manner to any specific financial institution.
4. Other than as stipulated under Article 50, Paragraph 2 (including cases to which the provisions of Article 122, Paragraph 4 and Paragraph 2 apply mutatis mutandis), notwithstanding the provisions of Article 50, Paragraph 1, Article 122, Paragraph 1 or Paragraph 1 of this article, as provided by the articles of incorporation, the DIC may exempt the contracted bank from the insurance premiums, contributions and the special insurance premiums of the same paragraph.

### **Establishment of Fund**

#### **19-2**

The DIC shall establish a fund for the Special Operations Account (hereinafter “the special operations fund”) to ensure its soundness and smooth special operations and the bonds issued by the government as stipulated in Article 19-4, Paragraph 2 or Paragraph 3 of the Supplementary Provisions shall be allocated to the fund.

### **Use of the Special Operations Fund**

### **Article 19-3**

1. Conducting operations (operations in Article 18, Paragraph 1, Item (3) shall be limited to operations concerning compensation for losses as stipulated under Article 7, Paragraph 1, Item (2) of the Supplementary Provisions) provided under Article 18, Paragraph 1, Items (1) through (3) (excluding Item (2-2)) of the Supplementary Provisions, the DIC may use the special operations fund within the limits of the amount calculated by the provisions of Cabinet Order in accordance with each operation when recognizing the necessity to ensure the solidity of the Special Operations Account and to conduct operations smoothly.

2. In addition to the preceding paragraph, if, as of the date of completion of such operations as set forth in Article 18, Paragraph 1, Item (1) through Item (2-2) of the Supplementary Provisions, of which date shall be stipulated by Cabinet Order, there are any amount calculated under the ordinances of the Cabinet Office and the Ministry of Finance as an accumulated deficit in the Special Operations Account, then the DIC may use special operations fund within the limits of the amount (after the deduction of the total amount of the amount stipulated by Cabinet Order as to any cost or any losses incurred by the DIC for compensation of losses arising out of the special financial assistance up to the date or of the transferred claims related to the failed financial institution as stipulated by Cabinet Order, the amount stipulated by the Cabinet Order as to the cost incurred by the DIC arising out of purchase of the assets implemented by the DIC up to the date defined above pursuant to the provisions of Article 6-3, Paragraph 1 of the Supplementary Provisions (including any purchases of the assets assigned to the contracted bank by the DIC pursuant to the provisions of Article 10, Paragraph 1 of the Supplementary Provisions), and the amount as stipulated by Cabinet Order to be required for the compensation for losses implemented by the DIC up to the date defined above pursuant to the provisions of Article 6-4, Paragraph 1 of the Supplementary Provisions).

3. When the DIC has used the special operations fund in accordance with the provisions of the preceding two paragraphs and all or part of the amount concerning such use has been repaid, the repaid funds shall be allocated to the special operations fund.

4. The provisions of Article 43 shall be applied *mutatis mutandis* to investments of cash in the special operations fund.

### **Bond Issuance from Government**

#### **Article 19-4**

1. The government may issue government bonds to allocate to the special operations fund.

2. The government shall issue these government bonds as provided for in the preceding paragraph within the limits of seven trillion yen and shall grant the bonds to the DIC.

3. In addition to the bonds to be issued in accordance with the preceding paragraph, the government shall issue government bonds as provided in Paragraph 1 within the limits of six trillion yen.

4. The government bonds to be issued in accordance with Paragraph 1 shall not bear interest.

5. Other than as stipulated by Cabinet Order, the government bonds to be issued in accordance with Paragraph 1 shall not be subject to transfer, collateral or other dispositions.

6. Besides the provisions stipulated in each preceding paragraph, matters necessary for the government bonds to be issued in accordance with Paragraph 1 shall be decided by ordinance of the Ministry of Finance.

### **Redemption of the Government Bonds**

#### **Article 19-5**

1. When the government has received a redemption demand for all or part of the government bonds issued in accordance with the provisions of Paragraph 2 or Paragraph 3 of the preceding article from the DIC to use for the special operations fund stipulated in Article 19-3, Paragraph 1 or Paragraph 2, the government shall redeem the bonds as soon as possible.

2. The government shall allocate preferably sales proceeds from shares belonging to the Special Account for Government Debt Consolidation Fund on and after FY1997 to financial sources of the cost required for redemption as stipulated in the preceding paragraph.

3. The government bonds issued under the provisions of Paragraph 1 of the preceding article shall not be regarded as government bonds falling under the terms of the provisions of Article 2, Paragraph 2 of the Special Account Law of the Government Debt Consolidation Fund (Law No. 6 of 1906).

4. As for the proceeds from the sale of the shares of Nippon Telegraph and Telephone Corporation during the period from FY1997 to the fiscal year in which the Special Operations Account abolished (hereinafter referred to as “the proceeds for the specific period” in this paragraph), said proceeds for the specific period shall not be regarded as the proceeds falling under the terms of the provisions of Paragraph 1 of Article 6 of the Social Capital Preparation Promotion Special Measures Law through the Application of the Proceeds from the Sale of Nippon Telegraph and Telephone Corporation’s Shares (Law No. 86 of 1987) only for the period from FY1997 to the fiscal year in which said abolishment took place.

#### **Article 19-6**

For the purpose of ensuring smooth redemption of the government bonds which have been issued under the provisions of Article 19-4, Paragraph 1 of the Supplementary Provisions, the Government shall, in addition to the financial resources under the provisions of Paragraph 2 of the preceding article, properly conduct the transfer as stipulated in the provisions of the Special Account Law of the Government Debt

Consolidation Fund, and make an effort to secure financial resources properly to allocate the cost required for said transfer.

### **Special Cases for Borrowings and Bond Issuance, and Government Guarantees** **Article 20**

1. In addition to the provisions stipulated in Article 42, Paragraph 1, or Paragraph 2, when the DIC recognizes that it is necessary to conduct operations stipulated under Article 18, Paragraph 1 Item (1) through Item (3-2) of the Supplementary Provisions, within the limits of the amount stipulated by Cabinet Order and subject to approval of the Prime Minister and the Minister of Finance, the DIC may borrow funds (including refinancing) from the Bank of Japan, financial institutions, and other parties or issue bonds (including issuance for refinancing of bonds).

2. The provisions of Article 42, Paragraph 4 and Article 42-2 shall be applied mutatis mutandis to the cases when the DIC conducts the borrowing of funds or bond issuance as stipulated by the preceding paragraph.

3. The bonds issued in accordance with Paragraph 1 shall be regarded as bonds issued under the provisions of Article 42, Paragraph 1 and the provisions of Paragraphs 5 through 9 of the same article shall be applied.

### **Disposition of Remaining Assets of Special Operations Fund** **Article 20-2**

1. Upon abolishing the Special Operations Account, if there are the government bonds to have been issued under the provisions of Article 19-4, Paragraph 2 or Paragraph 3 of the Supplementary Provisions and not to have been redeemed, the DIC shall return such bonds to the government.

2. When the government bonds have been returned as stipulated under the preceding paragraph, the government shall immediately cancel such bonds.

3. Upon abolishing the Special Operations Account, if there are remaining assets in the special operations fund other than the government bonds to have been returned according to the paragraph 1, the DIC shall pay such remaining assets to the national treasury.

### **Article 20-3**

Upon abolishing the Special Operations Account, if there are any amount (“the fund use amount” in Paragraph 2 of the following article) calculated under ordinances of the Cabinet Office and the Ministry of Finance as surplus, within the limits of the amount after the deduction of the cumulative amount allocated to the special operations fund stipulated in Article 19, Paragraph 3 of the Supplementary Provisions from the total amount concerning the use of the special operations fund stipulated in Article 19-3, Paragraph 1 and Paragraph 2, the DIC shall pay such amount to the national treasury.

### **Abolishment of the Special Operations Account** **Article 21**

1. The DIC shall abolish the Special Operations Account at the end of FY2002 and transfer the assets and liabilities belonging to the special operations fund to the General Account as stipulated by Cabinet Order.
2. After the DIC has transferred the assets and liabilities belonging to the Special Operations Account to the General Account under the provisions in the preceding paragraph, if the amounts related to the use of the special operations fund are repaid, or payment is received under the provisions of Article 7, Paragraph 1, Item (2-2) of the Supplementary Provisions (which must be related to the operations set forth in Article 18, Paragraph 1, Item (3) of the Supplementary Provisions), or a profit is earned because of the reasons stipulated by Cabinet Order, from the assets acquired by the DIC through the asset purchase either related to the special financial assistance or from the transferee of exceptional assets (hereinafter referred to as “the specific assets” in this paragraph), the DIC shall keep paying to the national treasury the total amount of such repayment amount, such payment received, and such amount determined by Cabinet Order as a profit (in case of losses incurred from the specific assets due to the reasons stipulated by Cabinet Order, the remaining amount obtained after the deducting the total amount determined by Cabinet Order as such losses (excluding the amount already deducted from a profit pursuant to the provisions in this paragraph) from the amount of said profit), until the total amount of which reach such an amount as will be obtained after deducting the amount paid to the national treasury pursuant to the provisions in the preceding article from the amount of the funds used.

## **Special Cases for Taxation**

### **Article 22**

1. If the contracted bank obtains title concerning the real estate through assumption of business of the failed financial institution implemented by said contracted bank pursuant to an agreement and upon recommendation from the Prime Minister under the provisions of Article 8, Paragraph 1, Item (1) of the Supplementary Provisions or the asset purchase implemented by said contracted bank upon assignment by the DIC under the provisions in Item (2) of the same paragraph (hereinafter referred to as “the transfer under an agreement” in this article), no registration and license tax shall be imposed upon the registration of transfer of the title concerning said real estate, provided that said registration is made within three (3) years from the date on which said title was obtained pursuant to the ordinance of the Ministry of Finance.
2. The land obtained by the contracted bank through the transfer under an agreement or the transfer of the title in and to the land (such transfer shall be as set forth in Article 62-3, Paragraph 2, Item (1-i) of the Special Taxation Measures Law, including such activities as set forth in Item (1-iv)) under the terms of the provisions of Article 62 and Article 63 of said Law concerning the contracted bank shall not be regarded as the transfer of the land pursuant to Article 62-3, Paragraph 2, Item (1) of said Law.

## **Application of Law**

### **Article 23**

When a special account has been established as stipulated in Article 18, Paragraph 1 of the Supplementary Provisions, the following shall be applied:

- (1) In the application of the provisions of Article 34, Item (1), “collection of insurance premiums” in the same item shall be amended to read “collection of insurance premiums and collection of special insurance premiums stipulated in Article 19 of the Supplementary Provisions.”
- (2) In the application of the provisions of Article 40-2, special financial assistance and special purchase of deposits and other claims shall not be regarded as operations stipulated in Item (1) of the same article and the transfer from the General Account to the Special Operations Account stipulated in Article 18, Paragraph 2 of the Supplementary Provisions shall be regarded as operations stipulated in Article 40-2, Item (1).
- (3) In the application of the provisions of Article 42, special financial assistance and special purchase of deposits and other claims shall not be regarded as operations stipulated in Paragraph 1 of the same article and the transfer from the General Account to the Special Operations Account stipulated in Article 18, Paragraph 2 of the Supplementary Provisions shall be regarded as operations stipulated in Article 42, Paragraph 1.
- (4) In the application of the provisions of Article 51, Paragraph 2, operations of the DIC (operations of the DIC stipulated under Article 7, Paragraph 1 of the Supplementary Provisions shall be limited to those stipulated in Article 18, Paragraph 1, Item (3) of the Supplementary Provisions) stipulated under Article 6-3, Paragraph 1, Article 6-4, Paragraph 1, Article 7, Paragraph 1 and Article 8-2, Paragraph 1 of the Supplementary Provisions, and special operations and special purchase of deposits and other claims shall not be regarded as operations of the DIC stipulated in Article 51, Paragraph 2, and the transfer from the General Account to the Special Operations Account stipulated in Article 18, Paragraph 2 of the Supplementary Provisions shall be regarded as operations of the DIC stipulated in Article 51, Paragraph 2.

2. When conducting operations of the DIC stipulated in Article 6-3, Paragraph 1 of the Supplementary Provisions, the following items shall be applied:

- (1) In the application of the provisions of Article 15, “Chapter 3, Chapter 4 and Chapter 6 through Chapter 8” in the same article shall be amended to read “Chapter 3, Chapter 4, Chapter 6 through Chapter 8, Article 6-3, Article 8, Article 9, Article 10 and Article 11 of the Supplementary Provisions.”
- (2) In the application of the provisions of Article 151, “Article 34” in Item (3) of the same article shall be amended to read “Article 34 and Article 6-3, Paragraph 1 of the Supplementary Provisions.”

3. When conducting operations of the DIC stipulated in Article 6-4, Paragraph 1 of the Supplementary Provisions, the following items shall be applied:

- (1) In the application of the provisions of Article 15, “Chapter 3, Chapter 4 and Chapter 6 through Chapter 8” in the same article shall be amended to read “Chapter 3, Chapter 4, Chapter 6 through Chapter 8 and Article 6-4 of the Supplementary Provisions.”

- (2) Concerning the application of the provisions of Article 151, “Article 34” in Item (3) of the same article shall be amended to read “Article 34 and Article 6-4, Paragraph 1 of the Supplementary Provisions.”

4. When conducting operations of the DIC as stipulated in Article 7, Paragraph 1 of the Supplementary Provisions, the following items shall be applied:

- (1) In the application of the provisions of Article 15, “Chapter 3, Chapter 4 and Chapter 6 through Chapter 8” in the same article shall be amended to read “Chapter 3, Chapter 4, Chapter 6 through Chapter 8, Article 8 through Article 10 of the Supplementary Provisions and Article 11 of the Supplementary Provisions.”
- (2) In the application of the provisions of Article 41, “the General Account (referring to the account concerning operations stipulated under the provisions of Item (1) of the preceding article; the same shall also apply hereinafter)” in the same article shall be amended to read “the General Account (referring to the account concerning operations stipulated under the provisions of Item (1) of the preceding article and operations (limited to those starting on or after April 1, 2002 as stipulated by Cabinet Order) stipulated under Article 7, Paragraph 1 of the Supplementary Provisions; the same shall also apply hereinafter).”
- (3) In the application of the provisions of Article 42, operations (limited to those starting on or after April 1, 2002 as stipulated by Cabinet Order; the same shall apply mutatis mutandis to the following item) stipulated under the provisions of Article 7, Paragraph 1 of the Supplementary Provisions shall be regarded as operations stipulated under Article 42, Paragraph 1.
- (4) In the application of the provisions of Article 51, Paragraph 2, operations stipulated under the Article 7, Paragraph 1 of the Supplementary Provisions shall be regarded as operations of the DIC stipulated under the Article 51, Paragraph 2.
- (5) In the application of the provisions of Article 96, Paragraph 1 regarding merger involving the contracted bank and a bridge bank, “merger of said bridge bank (limited to juridical persons surviving said merger or to be newly established by said merger that are not subsidiaries of the DIC)” in Item (1) of the same article shall be amended to read “merger of said bridge bank.”
- (6) In the application of the provisions of Article 120, Paragraph 1 regarding merger involving the contracted bank and a bank under special crisis management, “the surviving entity is said financial institution (limited to cases in which the surviving juridical person subsequent to merger is not a subsidiary of the DIC)” in Item (1) of the same article and “the surviving entity is a newly established financial institution (limited to cases in which the newly established juridical person subsequent to merger is not a subsidiary of the DIC)” in Item (2) of the same article shall be amended to read “the surviving entity is said financial institution” and “the surviving entity is a newly established financial institution” respectively.
- (7) In the application of the provisions of Article 151, “Article 34” in Item (3) of the same article shall be amended to read “Article 34 and Article 7, Paragraph 1 of the Supplementary Provisions.”

5. When conducting operations of the DIC as stipulated in Article 8-2, Paragraph 1 of the Supplementary Provisions, concerning the application of the provisions of Article

151, “Article 34” in Item (3) of the same article shall be amended to read “Article 34 and Article 8-2, Paragraph 1 of the Supplementary Provisions.”

6. When applying the provisions stipulated under each following item, “Article 54, Paragraphs 1 through 3” in the same provisions shall be amended to read “Article 6-2 of the Supplementary Provisions.”

- (1) When another financial institution assumes financial obligations regarding deposits of a failed financial institution involved in an insurable contingency as stipulated under Article 6-2, Paragraph 1 of the Supplementary Provisions: Article 2, Paragraph 11
- (2) When insurance claims as stipulated under Article 53, Paragraph 1 concerning an insurable contingency as stipulated in Article 6-2, Paragraph 1 of the Supplementary Provisions have been made: Article 58, Paragraph 1
- (3) When part of the business of a failed financial institution involved in an insurable contingency as stipulated under Article 6-2, Paragraph 1 of the Supplementary Provisions is transferred to another financial institution: Article 59, Paragraph 2
- (4) When the DIC has received an application for loan of funds needed for reimbursing deposits from a failed financial institution (limited to that stipulated under each item of Article 127, Paragraph 1) involved in an insurable contingency as stipulated in Article 6-2, Paragraph 1: Article 127, Paragraph 1

## **Penal Provisions**

### **Article 24**

1. Executives or employees committing any of the following violations shall be subject to a fine of not more than 500,000 yen:

- (1) Failure to submit reports or submission of false reports under the provisions of Article 10, Paragraph 3 or Article 11, Paragraph 2 of the Supplementary Provisions
- (2) Failure to submit reports under the provisions of Article 16, Paragraph 1 or Article 17, Paragraph 1 of the Supplementary Provisions

2. Parties committing any of the following acts shall be subject to a fine of not more than 500,000 yen:

- (1) Failure to submit reports under the provisions of Article 14 of the Supplementary Provisions or submission of false reports
- (2) Refusal, hindrance or evasion of an entering or confirmation of the current conditions under the provisions of Article 14-2 of the Supplementary Provisions
- (3) Failure to answer or making of false answers to DIC personnel under the provisions of Article 14-2 of the Supplementary Provisions
- (4) Refusal, hindrance or evasion of presenting of ledgers, failure to explain ledgers, presenting of ledgers of false records or explaining falsely regarding ledgers under the provisions of Article 14-2 of the Supplementary Provisions

### **Article 25**

1. When the representative (including managers of corporate associations or foundations that are not juridical persons (referred to in the remainder of this article as “non-juridical organizations”)) of a juridical person (including non-juridical organizations with stipulated provisions for representatives or managers; the same shall also apply in the

remainder of this paragraph) or the agent or employee of a juridical person or individual person violates the provisions of Paragraph 2 of the preceding article, with respect to the business or assets of said juridical person or individual person, in addition to the punishment applicable to the person committing such acts, said juridical person or said individual person shall also be subject to the punishment stipulated in the same paragraph.

2. In the event that the provisions of the preceding paragraph become applicable with respect to a non-juridical organization, the representative or manager thereof shall represent said non-juridical organization in case of litigation, and the provisions of the Code of Criminal Procedure governing cases in which a juridical person is an accused or suspect shall apply.