

# **Cabinet Office Order on Virtual Currency Exchange Service Providers**

(Cabinet Office Order No. 7 of March 24, 2017)

## Table of Contents

Chapter I General Provisions (Articles 1 to 11)

Chapter II Business (Articles 12 to 25)

Chapter III Supervision (Articles 26 to 31)

Chapter IV Miscellaneous Provisions (Articles 32 to 36)

Supplementary Provisions

## **Chapter I General Provisions**

(Definition)

- Article 1 (1) The terms "virtual currency", "virtual currency exchange service", "exchange of virtual currency, etc.", "virtual currency exchange service provider", "foreign virtual currency exchange service provider", "certified association for payment service providers", "virtual currency exchange business" and "deposit-taking institutions" as used in this Cabinet Office Order mean virtual currency, virtual currency exchange service, exchange of virtual currency, etc., virtual currency exchange service provider, foreign virtual currency exchange service provider, certified association for payment service providers, virtual currency exchange business or deposit-taking institutions as prescribed in Article 2 of the Payment Services Act (hereinafter referred to as the "Act"), respectively.
- (2) The term "transactions pertaining to virtual currency exchange service" as used in this Cabinet Office Order means transactions pertaining to the acts prescribed in the items of Article 2, paragraph (7) of the Act.

(Attachment of a Translation)

Article 2 If there is a document to be submitted to the Commissioner of the Financial Services Agency (if the authority of the Commissioner of the Financial Services Agency has been delegated to the Directors-General of Local Finance Bureaus or the Director General of the Fukuoka Local Finance Branch Bureau (hereinafter referred to as the "Directors-General of Local Finance Bureaus, etc.") under the provisions of Article 30, paragraph (1) of the Order for Enforcement of the Payment Services Act (hereinafter referred to as the "Order"), those Directors-General of Local Finance Bureaus, etc.; the same applies hereinafter) pursuant to the provisions of the Act (limited to Chapter

III-2; the same applies in the following Article), the Order (limited to Chapter III-2; the same applies in the following Article), or this Cabinet Office Order that cannot be prepared in Japanese under special circumstances, a Japanese translation must be attached to the relevant document; provided, however, that if the document is the articles of incorporation and any of the documents set forth in the items of Article 6 (excluding items (i), (ii), (iv) through (vi), (ix) and (xvii)) that is prepared in English, it is sufficient to attach a Japanese translation of the summary thereof.

(Translation of Foreign Currency or Virtual Currency)

Article 3 If a document to be submitted to the Commissioner of the Financial Services Agency pursuant to the provisions of the Act, the Order, or this Cabinet Office Order contains any amounts or quantities indicated in a foreign currency or virtual currency, the equivalent amounts converted to the Japanese currency of those amounts or quantities and the standard used for the translation must be included in the supplementary notes to the document.

(Application for Registration)

Article 4 A person intending to obtain a registration referred to in Article 63-2 of the Act must submit to the Commissioner of the Financial Services Agency a written application for registration referred to in Article 63-3, paragraph (1) of the Act prepared using appended Form 1 (in the case of a foreign virtual currency exchange service provider, using appended Form 2) by attaching two copies thereof and the documents referred to in paragraph (2) of the same Article.

(Other Matters to be Stated in Written Application for Registration)

Article 5 The matters specified by Cabinet Office Order as prescribed in Article 63-3, paragraph (1), item (xi) of the Act are the following matters:

- (i) the outline of the virtual currency to be handled;
- (ii) the management method prescribed in Article 63-11, paragraph (1) of the Act;
- (iii) the location and contact address of the business office that will respond to complaints or requests for consultation from the users of the virtual currency exchange service; and
- (iv) the name of the certified association for payment service providers (limited to the association that holds virtual currency exchange service providers as its major association members or members; the same applies hereinafter) to which the applicant belongs.

(Documents to be Attached to Written Application for Registration)

Article 6 The documents specified by Cabinet Office Order as prescribed in Article 63-3, paragraph (2) of the Act are the following documents (in the case of a document certified by a public agency, limited to one issued within three months prior to the date of application):

- (i) a document prepared using appended Form 3 pledging to the effect that the applicant does not fall under any of the items of Article 63-5, paragraph (1) of the Act;
- (ii) an extract of the resident record of the directors, etc. (meaning the directors, etc. prescribed in Article 63-5, paragraph (1), item (x) of the Act; the same applies hereinafter) of the applicant (if the directors, etc. are foreign nationals, a copy of a residence card prescribed in Article 19-3 of the Immigration Control and Refugee Recognition Act (Cabinet Order No. 319 of 1951), a copy of a special permanent resident certificate prescribed in Article 7, paragraph (1) of the Special Act on the Immigration Control of, Inter Alia, Those Who Have Lost Japanese Nationality Pursuant to the Treaty of Peace with Japan (Act No. 71 of 1991), or an extract of the resident record ) or any substitute thereof;
- (iii) if the name of the directors, etc. of the applicant used before marriage is stated together with the current name in a written application for registration under the provisions of Article 4, and the document listed in the preceding item does not prove that name used before marriage, a document to prove that name used before marriage;
- (iv) a certificate by a public agency proving to the effect that the directors, etc. of the applicant do not fall under Article 63-5, paragraph (1), item (x), (a) and (b) of the Act (if the directors, etc. are foreign nationals, a written pledge prepared using appended Form 4) or any substitute thereof;
- (v) a curriculum vitae of the directors, etc. of the applicant or a history of the applicant prepared by using appended Form 5 or Form 6;
- (vi) the list of shareholders prepared using appended Form 7 and the articles of incorporation and a certificate of registered information or any substitute thereof;
- (vii) in the case of a foreign virtual currency exchange service provider, a document proving that it is a person who carries out virtual currency exchange service in a foreign state under the registration of the same kind as the registration referred to in Article 63-2 of the Act pursuant to the provisions of laws and regulations of that foreign state (including permission or other administrative dispositions similar to that registration);
- (viii) the latest balance sheet (including related notes) and profit and loss statement (including related notes) or any substitute thereof (in the case of a corporation established in a business year that includes the date of the application for registration, the balance sheet as of the date of establishment

- prepared under the provisions of Article 435, paragraph (1) of the Companies Act (Act No. 86 of 2005) or any substitute thereof);
- (ix) in the case of a company with financial auditors, a document containing the contents of the accounting audit report prepared under the provisions of Article 396, paragraph (1) of the Companies Act for the business year immediately preceding the business year that includes the date of the application for registration;
  - (x) a document stating the expected income and expenditure from the virtual currency exchange service for the three business years after the commencement of the business;
  - (xi) a document explaining the outline of the virtual currency to be handled;
  - (xii) an organization chart concerning the virtual currency exchange service (including organizations that perform the operations pertaining to internal controls);
  - (xiii) a curriculum vitae of the person responsible for the management of the virtual currency exchange service;
  - (xiv) internal rules concerning the virtual currency exchange service (meaning internal rules, etc. and other documents equivalent thereto; the same applies in Article 19);
  - (xv) contract documents used in carrying out transactions pertaining to virtual currency exchange service with the users of the virtual currency exchange service;
  - (xvi) if part of the virtual currency exchange service is entrusted to a third party, the contract document pertaining to the entrustment contract;
  - (xvii) a document stating the matters specified as follows for the categories of cases respectively set forth therein:
    - (a) when there is a designated dispute resolution organization for virtual currency exchange business (meaning the designated dispute resolution organizations for virtual currency exchange business prescribed in Article 63-12, paragraph (1), item (i) of the Act; hereinafter the same applies in this item and Article 17, paragraph (1), item (xi)): the trade name or other name of the designated dispute resolution organization for virtual currency exchange business, which is the other party to the basic contract for the implementation of dispute resolution procedures specified in Article 63-12, paragraph (1), item (i) of the Act that the virtual currency exchange service provider concludes;
    - (b) when there are no designated dispute resolution organizations for virtual currency exchange business: the details of the complaint processing measures and dispute resolution measures specified in Article 63-12, paragraph (1), item (ii) of the Act carried out by the virtual currency exchange service provider; and

(xviii) other documents containing other relevant matters.

(Notice to Applicants)

Article 7 When giving a notice of registration prescribed in Article 63-4, paragraph (2) of the Act, the Commissioner of the Financial Services Agency is to give it by a written notice of completion of registration prepared using appended Form 8.

(Public Inspections of Register of Virtual Currency Exchange Service Providers)

Article 8 The Commissioner of the Financial Services Agency must keep the register of virtual currency exchange service providers pertaining to the relevant registered virtual currency exchange service provider at the Local Finance Bureau or the Fukuoka Local Finance Branch Bureau having jurisdiction over the location of the head office of the virtual currency exchange service provider (in the case of a foreign virtual currency exchange service provider, its principal business office in Japan; the same applies hereinafter) and make it available for public inspection.

(Financial Basis)

Article 9 The requirements specified by Cabinet Office Order as prescribed in Article 63-5, paragraph (1), item (iii) of the Act are as follows:

- (i) the amount of stated capital is no less than 10 million yen; and
- (ii) the amount of net assets (meaning the amount obtained by deducting the total amount of liabilities from the total amount of assets recorded in the balance sheet prescribed in Article 6, paragraph (1), item (viii) or any substitute thereof) is not below zero.

(Notice of Refusal of Registration)

Article 10 When giving a notice under the provisions of Article 63-5, paragraph (2) of the Act, the Commissioner of the Financial Services Agency is to give it by a written notice of refusal of registration prepared using appended Form 9.

(Notification of Changes)

Article 11 (1) When intending to make a notification under the provisions of Article 63-6, paragraph (1) of the Act, a virtual currency exchange service provider must submit to the Commissioner of the Financial Services Agency a written notice of changes prepared using appended Form 10 by attaching two copies thereof and documents specified in the following items for the categories of cases respectively set forth therein (in the case of a document certified by a public agency, limited to one issued within three months prior to the date of

notification):

- (i) in the case of a change in the trade name: a certificate of registered information that contains the matters pertaining to the change or any substitute thereof, and a document prepared using appended Form 3 pledging to the effect that the virtual currency exchange service provider does not fall under any of the items of Article 63-5, paragraph (1) of the Act;
- (ii) in the case of a change in the amount of stated capital: a certificate of registered information that contains the matters pertaining to the change or any substitute thereof;
- (iii) in the case of establishment or abolition of a business office or a change in the location of a business office (excluding the case set forth in item (x)): a certificate of registered information that contains the matters pertaining to the change;
- (iv) in the case of a change in the directors, etc.: the following documents:
  - (a) the documents set forth in Article 6, items (ii), (iv) and (v) that pertain to the person who newly became a director, etc. and the documents set forth in item (vi) of the same Article that pertain to the change;
  - (b) if the name of the person who newly became a director, etc. used before marriage is stated together with their current name in a written notice of changes, and the documents set forth in (a) above (limited to the document set forth in Article 6, item (ii)) do not prove that name used before marriage, a document to prove that name used before marriage;
  - (c) a document prepared using appended Form 3 pledging to the effect that the virtual currency exchange service provider does not fall under any of the items of Article 63-5, paragraph (1) of the Act;
- (v) in the case of a change in the major shareholders (meaning a shareholder who holds voting rights exceeding 10 percent of the voting rights held by all the shareholders (excluding the voting rights of the shares which cannot be exercised for all matters that are subject to a resolution at a general meeting of shareholders and including the voting rights of the shares for which the shareholder is deemed to have voting rights under the provisions of Article 879, paragraph (3) of the Companies Act)): the list of shareholders prepared using appended Form 7;
- (vi) in the case of a change in the virtual currency to be handled: the document set forth in Article 6, item (xi) that pertains to the matters that have been changed;
- (vii) in the case of a change in the contents or methods of the virtual currency exchange service: the documents set forth in Article 6, items (xii) through (xv) that pertain to the matters that have been changed;
- (viii) in the case of a change in the contents of business that have been entrusted or a person to whom business is entrusted: the document set forth

- in Article 6, item (xvi) that pertains to the matters that have been changed;
- (ix) in the case of a change in the other businesses: a certificate of registered information that contains the matters pertaining to the change or any substitute thereof;
- (x) if a virtual currency exchange service provider who has obtained the registration referred to in Article 63-2 of the Act from the Director-General of a Local Finance Bureau, etc. has changed the location of its head office to an area over which the Director-General of another Local Finance Bureau, etc. has jurisdiction: the document specified in item (iii) and a written notice of completion of registration referred to in Article 7 that was delivered prior to the change;
- (xi) in the case of a change in the management method prescribed in Article 63-11, paragraph (1) of the Act: a document that can demonstrate the fact that there was a change in the management method prescribed in the same paragraph; or
- (xii) if the virtual currency exchange service provider has become a member of a certified association for payment service providers or has withdrawn from one: a document that can demonstrate the fact that the virtual currency exchange service provider has become a member of a certified association for payment service providers or has withdrawn from one.
- (2) When a notification is made under the provisions of the preceding paragraph in the case set forth in item (x) of the same paragraph, the Director-General of a Local Finance Bureau, etc. must notify the Director-General of another Local Finance Bureau, etc. referred to in the same item to the effect that the notification has been made.
- (3) The Director-General of a Local Finance Bureau, etc. who has received the notification referred to in the preceding paragraph is to register the matters notified of in the register of virtual currency exchange service providers and notify the person who made the notification of the registration by a written notice of completion of registration referred to in Article 7.

## **Chapter II Business**

(Measures to Ensure Information Security Management Pertaining to Virtual Currency Exchange Service)

Article 12 A virtual currency exchange service provider must take measures to ensure sufficient control of the electronic data processing system pertaining to the virtual currency exchange service, in accordance with the contents and methods of its business.

(Measures to Ensure Information Security Management Pertaining to Personal

Information of Individual Users)

Article 13 If a virtual currency exchange service provider entrusts to another person the security management of personal information concerning the users of the virtual currency exchange service, who are individuals, the supervision of its employees, and the handling of the relevant information, the virtual currency exchange service provider must take necessary and appropriate measures for preventing divulgation, loss, or damage of the information.

(Handling of Specified Non-public Information)

Article 14 When handling personal information regarding race, creed, family origin, domicile of origin, healthcare, or criminal background of the users of the virtual currency exchange service, who are individuals, and other specified non-public information (meaning information learned in the course of business of the virtual currency exchange service that has not yet been publicly disclosed), a virtual currency exchange service provider must take measures to ensure that the information is not used for a purpose other than for ensuring the appropriate operation of the business and for other purposes that are found to be necessary.

(Measures to Ensure Proper and Secure Provision/Conduct of the Entrusted Business)

Article 15 When entrusting part of the business of the virtual currency exchange service to a third party, a virtual currency exchange service provider must take the following measures in accordance with the contents of the entrusted business:

- (i) measures to ensure that the relevant business is entrusted to a person who has the ability to perform the business in a proper and secure manner;
- (ii) measures to ensure that necessary and appropriate supervision, etc. is conducted with regard to the person to whom the relevant business is entrusted, including measures to verify whether the person is performing the business in a proper and secure manner by, among others, checking the status of performance of the business by the person regularly or as necessary and causing the person to make any necessary improvements;
- (iii) necessary measures to ensure proper and prompt processing of complaints from the users of the virtual currency exchange service conducted by the person to whom the relevant business is entrusted;
- (iv) measures to prevent the protection of the users of the virtual currency exchange service from being hindered, etc., including measures to ensure that if circumstances have arisen under which the person to whom the relevant business has been entrusted is unable to perform the entrusted business appropriately, the business will be promptly entrusted to another



- appropriate third party; and
- (v) measures to ensure that, if it is necessary for the purpose of ensuring the proper and secure performance of the business of the virtual currency exchange service provider and the protection of the users pertaining to the business, necessary measures will be taken such as amending or canceling the contract pertaining to the entrustment of the relevant business.

(Prevention of Users from Mistaking Virtual Currency for the Japanese Currency or Foreign Currency)

Article 16 (1) When carrying out exchange of virtual currency, etc. with a user of the virtual currency exchange service, a virtual currency exchange service provider must provide the users in advance with an explanation designed to prevent them from mistaking the virtual currency to be handled in the business for the Japanese currency or a foreign currency by delivering documents or any other appropriate method.

(2) When providing the explanation prescribed in the preceding paragraph, a virtual currency exchange service provider must explain the following matters:

- (i) the fact that the virtual currency to be handled in the business is not the Japanese currency or a foreign currency;
- (ii) if the value of the virtual currency to be handled in the business has not been guaranteed by a specific person, that fact, or if the value has been guaranteed by a specific person, the name, trade name or other name of that person and the details of the guarantee;
- (iii) other matters found to be relevant to the prevention of the user from mistaking the virtual currency to be handled in the business for the Japanese currency or a foreign currency.

(3) When a virtual currency exchange service provider carries out transactions pertaining to virtual currency exchange service with the users of the virtual currency exchange service at its business office, the virtual currency exchange service provider must post the matters set forth in items (i) and (ii) of the preceding paragraph at the service counter in a manner easily seen by the users.

(Provision of Information to Users)

Article 17 (1) When carrying out transactions pertaining to virtual currency exchange service with a user of the virtual currency exchange service, a virtual currency exchange service provider must provide the user in advance with information about the following matters by delivering documents or any other appropriate methods:

- (i) the trade name and address of the virtual currency exchange service provider;

- (ii) the fact that it is a virtual currency exchange service provider and the registration number of the virtual currency exchange service provider;
- (iii) the contents of the transactions;
- (iv) the outline of the virtual currency to be handled;
- (v) when there is a risk of losses directly from fluctuations in the value of the virtual currency to be handled, that fact and the reasons therefor;
- (vi) beyond what is set forth in the preceding item, when there is a risk of losses directly from material grounds that will affect the decision of the user regarding the transactions, that fact and the reasons therefor;
- (vii) the management method prescribed in Article 63-11, paragraph (1) of the Act and the name, trade name or other name of the person specified in (a) through (d) below for the categories respectively set forth therein:
  - (a) the method set forth in Article 20, paragraph (1), item (i): deposit-taking institutions (excluding long-term credit banks prescribed in Article 2, paragraph (17), item (ii) of the Act) or persons conducting business set forth in Article 10, paragraph (1), item (i) of the Banking Act (Act No. 59 of 1981) in foreign states pursuant to the provisions of laws and regulations of those foreign states (referred to as "deposit-taking institutions, etc." in Article 20, paragraph (1), item (i) and Article 30, paragraph (2), item (i));
  - (b) the method set forth in Article 20, paragraph (1), item (ii): financial institutions engaging in the trust business or persons conducting the trust business in foreign states pursuant to the provisions of laws and regulations of those foreign states (referred to as "financial institutions, etc. engaging in the trust business" in Article 20, paragraph (1), item (ii), Article 21, paragraph (1), item (i), and Article 30, paragraph (2), item (ii));
  - (c) the method set forth in Article 20, paragraph (2), item (i): the relevant virtual currency exchange service provider;
  - (d) the method set forth in Article 20, paragraph (2), item (ii): the third party prescribed in the same item;
- (viii) the amount or the maximum amount of the fees, remuneration, or costs to be paid by the user or the calculation method thereof;
- (ix) the location and contact address of the business office that will respond to complaints or requests for consultation from the users;
- (x) if the relevant transactions are carried out in an amount indicated in a foreign currency, the amount in the Japanese currency converted from that amount and the standard or the method used for the translation;
- (xi) the matters specified as follows for the categories of cases respectively set forth therein:
  - (a) if there is a designated dispute resolution organization for virtual currency exchange business: the trade name or other name of the designated dispute resolution organization for virtual currency exchange

- business, which is the other party to the basic contract for the implementation of dispute resolution procedures specified in Article 63-12, paragraph (1), item (i) of the Act that the virtual currency exchange service provider concludes;
- (b) if there are no designated dispute resolution organizations for virtual currency exchange business: the details of the complaint processing measures and dispute resolution measures specified in Article 63-12, paragraph (1), item (ii) of the Act carried out by the virtual currency exchange service provider; and
  - (xii) other matters found to be relevant to the contents of the transactions.
- (2) When a virtual currency exchange service provider concludes with a user of the virtual currency exchange service a contract under which transactions pertaining to virtual currency exchange service are carried out on an ongoing or recurring basis, the virtual currency exchange service provider must provide the user with information about the following matters by delivering documents or any other appropriate methods:
- (i) the matters set forth in items (i) through (xi) of the preceding paragraph;
  - (ii) when a contract period is defined, the contract period;
  - (iii) handling of the cancellation of the contract (including calculation method for fees, remuneration, or costs); and
  - (iv) other matters found to be relevant to the contents of the contract.
- (3) When a virtual currency exchange service provider has received money or virtual currency from a user of the virtual currency exchange service in relation to its service, the virtual currency exchange service provider must provide the user with information about the following matters by delivering documents or any other appropriate methods:
- (i) the trade name and the registration number of the virtual currency exchange service provider;
  - (ii) the amount of the money or the quantity of the virtual currency received from the user; and
  - (iii) the date of receipt.
- (4) When a virtual currency exchange service provider carries out transactions pertaining to virtual currency exchange service with a user of the virtual currency exchange service on an ongoing or recurring basis, the virtual currency exchange service provider must provide the user with the transaction record and information about the amount of the money and the quantity of the virtual currency of the user that it manages, for each period not exceeding three months, by delivering documents or any other appropriate methods.

(Other Measures to Ensure Protection of Users)

Article 18 A virtual currency exchange service provider must take the following

measures to ensure the protection of the users of the virtual currency exchange service with regard to its service:

- (i) measures to establish a necessary system to ensure protection of the users in relation to the virtual currency exchange service it carries out, in accordance with the characteristics of the virtual currency, the contents of the transactions and other circumstances;
- (ii) when the virtual currency exchange service provider finds a possibility that a criminal act has been committed in relation to the virtual currency exchange service it carries out, as there has been information provided by the investigative authority, etc. to the effect that the transactions pertaining to virtual currency exchange service were used for the purpose of committing a fraud or other criminal acts and in consideration of other circumstances, measures to suspend the relevant transactions, etc.;
- (iii) if the virtual currency exchange service provider carries out transactions pertaining to virtual currency with the users by using a computer connected with electric telecommunication lines, appropriate measures to prevent the users from mistaking the virtual currency exchange service provider for another person; and
- (iv) if the virtual currency exchange service provider receives instructions regarding transactions pertaining to virtual currency exchange service from the users by using a computer connected with electric telecommunication lines, appropriate measures to enable the users to easily confirm or correct the contents of the instructions when operating the computer for the relevant instructions.

#### (Internal Rules)

Article 19 A virtual currency exchange service provider must provide for internal rules, etc. concerning the measures to ensure the protection of the users of the virtual currency exchange service and the proper and secure performance of the virtual currency exchange service (including the explanation of the details of the measures taken by the virtual currency exchange service provider as specified in Article 63-12, paragraph (1) of the Act and the measures to prevent crimes), in accordance with the contents and methods of its business, and establish a system for providing training to employees, a system for providing guidance to the person to whom business is entrusted, and other systems sufficient to ensure that the business is operated based on those internal rules, etc.

#### (Management of Users' Property)

Article 20 (1) When a virtual currency exchange service provider manages the money of the users of the virtual currency exchange service based on the

provisions of Article 63-11, paragraph (1) of the Act, the virtual currency exchange service provider must manage the money in the following methods:

- (i) as a deposit or saving at deposit-taking institutions, etc. (limited to a deposit or saving for which it is obvious, from the account holder's name, that it comprises that money); or
  - (ii) as a money trust at financial institutions, etc. engaging in the trust business for which compensation for the principal is provided in the contract.
- (2) When a virtual currency exchange service provider manages the virtual currency of the users based on the provisions of Article 63-11, paragraph (1) of the Act, the virtual currency exchange service provider must manage the virtual currency in the method specified in the following items for the categories of virtual currency respectively set forth therein:
- (i) virtual currency that the virtual currency exchange service provider manages by itself: the method to clearly divide the virtual currency of the users and the virtual currency that it holds as its own property and manage the virtual currency of the users in a manner wherein each user's virtual currency can be identified immediately (including a manner wherein the quantity of each user's virtual currency can be identified immediately in one's books; the same applies in the following item); or
  - (ii) virtual currency that the virtual currency exchange service provider has a third party manage: the method to have the third party clearly divide the virtual currency of the users and the virtual currency that the third party holds as its own property and have the third party manage the virtual currency of the users in a manner wherein each user's virtual currency can be identified immediately.

#### (Requirements for Segregated User Management Trusts)

Article 21 (1) A contract pertaining to the money trust prescribed in paragraph (1), item (ii) of the preceding Article (hereinafter referred to as a "segregated user management trust") must satisfy all of the following requirements:

- (i) the virtual currency exchange service provider is the settlor, a financial institution, etc. engaging in the trust business is the trustee, and a user in relation to transactions pertaining to virtual currency exchange service carried out by the virtual currency exchange service provider is the beneficiary of the principal;
- (ii) agents for the beneficiary are appointed, and at least one of those agents for the beneficiary is an attorney, a legal professional corporation, a certified public accountant (including a foreign certified public accountant prescribed in Article 16-2, paragraph (5) of the Certified Public Accountant Act (Act No. 103 of 1948); the same applies hereinafter), an audit corporation, a tax accountant, a tax accountant corporation, or a person designated by the

Commissioner of the Financial Services Agency (hereinafter referred to as an "attorney, etc." in this paragraph);

- (iii) if multiple segregated user management trusts are carried out, the same agent for the beneficiary is to be appointed for those multiple segregated user management trusts;
- (iv) if the virtual currency exchange service provider comes to fall under any of the following requirements, only the agent for the beneficiary, who is an attorney, etc., exercises its authority (excluding the case where the relevant agent for the beneficiary admits the exercise of the authority by another agent for the beneficiary):
  - (a) when the virtual currency exchange service provider has had its registration referred to in Article 63-2 of the Act rescinded under the provisions of Article 63-17, paragraph (1) or (2) of the Act;
  - (b) when the virtual currency exchange service provider has filed a petition for commencement of bankruptcy proceedings, rehabilitation proceedings, reorganization proceedings, or special liquidation (in the case of a foreign virtual currency exchange service provider, when it has filed a petition for commencement of bankruptcy proceedings, rehabilitation proceedings, reorganization proceedings, or special liquidation in Japan or has filed the same type of petition in the state where its head office is located, pursuant to the laws and regulations of that state);
  - (c) when the virtual currency exchange service provider has abolished the virtual currency exchange service (in the case of a foreign virtual currency exchange service provider, when it has abolished the virtual currency exchange service at all business offices it had established in Japan; hereinafter the same applies in (c)) or has dissolved (in the case of a foreign virtual currency exchange service provider, when it has commenced liquidation of the business offices it had established in Japan; hereinafter the same applies in (c)), or when the virtual currency exchange service provider has given a public notice of the abolition of the whole or part of the virtual currency exchange service or the dissolution under the provisions of Article 63-20, paragraph (3) of the Act;
  - (d) when the virtual currency exchange service provider has received an order to suspend the whole or part of the business under the provisions of Article 63-17, paragraph (1) of the Act;
- (v) if the appraised value of the principal of the trust property is less than the required amount of segregated user management (meaning the total of the individual amounts of segregated user management (meaning the amount of the users' money that the virtual currency exchange service provider manages in its service, as calculated for each user; the same applies in item (xii) and the following Article); hereinafter the same applies in this

- paragraph and the following Article), money in an amount equivalent to the shortfall amount is added to the trust property by the virtual currency exchange service provider, within two business days counting from the day immediately after the day when the shortfall takes place;
- (vi) the appraised value of the principal of the trust property pertaining to a segregated user management trust is to be the principal amount of the segregated user management trust;
  - (vii) in cases other than the following cases, the whole or part of the contract pertaining to a segregated user management trust may not be terminated:
    - (a) if the appraised value of the principal of the trust property exceeds the required amount of segregated user management, when intending to terminate the whole or part of the contract pertaining to the segregated user management trust to the extent of that excess amount;
    - (b) when intending to terminate the whole or part of the contract pertaining to the segregated user management trust for the purpose of managing it by the method prescribed in paragraph (1), item (i) of the preceding Article or entrusting it as a trust property pertaining to another segregated user management trust;
  - (viii) the trust property pertaining to the termination of the whole or part of the contract pertaining to the segregated user management trust effected in a case set forth in (a) or (b) of the preceding item is to be vested in the settlor;
  - (ix) if an agent for the beneficiary, who is an attorney, etc., finds it necessary, the beneficial right of the users is exercised collectively for all users by the agent for the beneficiary;
  - (x) if the beneficial right of the users has been exercised collectively by an agent for the beneficiary, who is an attorney, etc., the trust agreement pertaining to the beneficial right may be ended;
  - (xi) the amount to be paid to each user when the user exercises the beneficial right is to be the amount obtained by multiplying the realized amount of principal as of the day of the exercise of the beneficial right by the proportion of the individual amount of segregated user management pertaining to that user against the required amount of segregated user management as of that date (if the amount thus obtained exceeds the individual amount of segregated user management, the individual amount of segregated user management); and
  - (xii) if the realized amount of principal as of the day on which a user exercises the beneficial right exceeds the required amount of segregated user management, that excess amount is to be vested in the settlor.
- (2) The realized amount of principal referred to in items (xi) and (xii) of the preceding paragraph means the amount of the principal of the trust property

pertaining to a segregated user management trust.

(Calculation of Individual Amount of Segregated User Management)

Article 22 In the case of conducting management by way of a segregated user management trust, a virtual currency exchange service provider must calculate the individual amount of segregated user management and the required amount of segregated user management every day.

(Audit of Separate Management)

Article 23 (1) A virtual currency exchange service provider must have a certified public accountant or an audit corporation audit the status of its management under the provisions of Article 63-11, paragraph (1) of the Act (hereinafter this audit is referred to as an "audit of separate management") based on the provisions of paragraph (2) of the same Article, at least once a each year, in accordance with the rules designated by the Commissioner of the Financial Services Agency.

(2) The following persons may not conduct an audit of separate management:

- (i) a person who may not conduct the services related to auditing under the provisions of Article 63-11, paragraph (2) of the Act, pursuant to the provisions of the Certified Public Accountants Act;
- (ii) a person who receives remuneration for a service other than the service of a certified public accountant or an audit corporation, on a regular basis, from a subsidiary company (meaning the subsidiary company prescribed in Article 2, item (iii) of the Companies Act) of the virtual currency exchange service provider or from any of its director, accounting advisor, company auditor or executive officer, or the spouse of that person; or
- (iii) an audit corporation with more than half of whose members are persons set forth in the preceding item.

(Persons with Expert Knowledge and Experience in Matters Related to Consumer Affairs)

Article 24 The persons specified by Cabinet Office Order as prescribed in Article 63-12, paragraph (4) of the Act are those who have any of the following qualifications and have engaged in the business of responding to consumer affairs consultations (meaning the consumer affairs consultations prescribed in Article 13, paragraph (3), item (v), (a) of the Consumer Contract Act (Act No. 61 of 2000)) for a period of not less than five years in total:

- (i) the qualification as the consumer-specialized counselor granted by the National Consumer Affairs Center of Japan;
- (ii) the qualification as the consumer advisor granted by the Japan Industrial Association; or



- (iii) the qualification as the consumer consultant granted by the Japan Consumers' Association.

(Complaint Processing Measures and Dispute Resolution Measures in Relation to Virtual Currency Exchange Service)

Article 25 (1) The measures specified by Cabinet Office Order as complaint processing measures prescribed in Article 63-12, paragraph (4) of the Act are any of the following:

- (i) to take all of the following measures:
  - (a) to establish a system for business operation sufficient to execute the business of processing complaints related to a virtual currency exchange service (meaning the complaints related to a virtual currency exchange service out of the complaints related to funds transfer service, etc. prescribed in Article 2, paragraph (19) of the Banking Act as applied mutatis mutandis pursuant to Article 101, paragraph (1) of the Act following the deemed replacement of terms; hereinafter the same applies in this paragraph and paragraph (3)) in a fair and appropriate manner;
  - (b) to establish internal rules for the fair and appropriate execution of the business of processing complaints related to a virtual currency exchange service (limited to the internal rules including the provisions clarifying the sharing of responsibility in the company with regard to the relevant business);
  - (c) to inform the users of the entity to which complaints related to a virtual currency exchange service are to be made and make the system public for business operations referred to in (a) and the internal rules referred to in (b) above;
- (ii) to seek to process complaints related to a virtual currency exchange service through the resolution of complaints carried out by the certified association for payment service providers;
- (iii) to seek to process complaints related to a virtual currency exchange service through the mediation prescribed in Article 19, paragraph (1) or Article 25 of the Consumer Basic Act (Act No. 78 of 1968);
- (iv) to seek to process complaints related to a virtual currency exchange service through complaint processing procedures carried out by a person who has obtained any of the designations set forth in the items of Article 24 of the Order; or
- (v) to seek to process complaints related to a virtual currency exchange service through complaint processing procedures carried out by a corporation (meaning the corporation prescribed in Article 99, paragraph (1), item (i) of the Act; the same applies in item (iv) of the following paragraph) that has a financial basis and a personnel structure sufficient to execute the business of

processing complaints related to a virtual currency exchange service in a fair and appropriate manner.

- (2) The measures specified by Cabinet Office Order as dispute resolution measures prescribed in Article 63-12, paragraph (5) of the Act are any of the following:
- (i) to seek to resolve disputes related to a virtual currency exchange service (meaning the disputes related to a virtual currency exchange service out of the disputes related to funds transfer service, etc. prescribed in Article 2, paragraph (20) of the Banking Act as applied mutatis mutandis pursuant to Article 101, paragraph (1) of the Act following the deemed replacement of terms; hereinafter the same applies in this Article) through the mediation by an organization prescribed in the association rules prescribed in Article 33, paragraph (1) of the Attorney Act (Act No. 205 of 1949) or in the rules established under the provisions of those association rules or through the arbitration procedures carried out by that organization;
  - (ii) to seek to resolve disputes related to a virtual currency exchange service through the mediation prescribed in Article 19, paragraph (1) or Article 25 of the Consumer Basic Act or through the agreement prescribed in the same Article;
  - (iii) to seek to resolve disputes related to a virtual currency exchange service through dispute resolution procedures carried out by a person who has obtained any of the designations set forth in the items of Article 24 of the Order; or
  - (iv) to seek to resolve disputes related to a virtual currency exchange service through dispute resolution procedures carried out by a corporation that has a financial basis and a personnel structure sufficient to execute the business of resolving disputes related to a virtual currency exchange service in a fair and appropriate manner.
- (3) Notwithstanding the provisions of the preceding two paragraphs (limited to paragraph (1), item (v) and item (iv) of the preceding paragraph), a virtual currency exchange service provider must not seek to process complaints related to a virtual currency exchange service or to resolve disputes related to a virtual currency exchange service through the procedures carried out by a corporation falling under any of the following items:
- (i) a corporation that has been sentenced to a fine under the provisions of the Act or the Attorney Act, and for whom five years have not passed since the day when the execution of the sentence terminated or the day on which such person is no longer subject to the execution of the sentence;
  - (ii) a corporation whose designation under Article 99, paragraph (1) of the Act has been rescinded under the provisions of Article 100, paragraph (1) of the Act, and for whom five years have not passed since the day of the rescission,

or a corporation whose designation set forth in the items of Article 24 of the Order has been rescinded, and for whom five years have not passed since the day of the rescission;

- (iii) a corporation that has, in its officers conducting the business thereof (if the officer is a corporation, including the person to perform its duties; hereinafter the same applies in this item), those falling under either of the following:
  - (a) a person who has been sentenced to imprisonment without work or heavier punishment or has been sentenced under the provisions of the Act or the Attorney Act, and for whom five years have not passed since the day when the execution of the punishment terminated or the person ceased to be subject to the execution of the sentence; or
  - (b) a person who was an officer of a corporation whose designation under Article 99, paragraph (1) of the Act was rescinded under the provisions of Article 100, paragraph (1) of the Act, within one month before the day of the rescission, and for whom five years have not passed since the day of the rescission; or a person who was an officer of a corporation whose designation set forth in the items of Article 24 of the Order was rescinded, within one month before the day of the rescission, and for whom five years have not passed since the day of the rescission.

### **Chapter III Supervision**

(Preparation and Keeping of Books and Documents Pertaining to Virtual Currency Exchange Service)

Article 26 (1) The books and documents pertaining to a virtual currency exchange service as prescribed in Article 63-13 of the Act are the following books and documents:

- (i) transaction records pertaining to a virtual currency exchange service;
- (ii) a general ledger;
- (iii) a customer ledger (limited to the case where the a virtual currency exchange service provider concludes a contract with the users of the virtual currency exchange service under which transactions pertaining to a virtual currency exchange service are carried out on an ongoing or recurring basis);
- (iv) records of the amount of the money and the quantity of the virtual currency of the users that the virtual currency exchange service provider manages on each business day (limited to a person who conducts the acts set forth in Article 2, paragraph (7), item (iii) of the Act);
- (v) records of the amount of trust property on each business day (limited to a person who conducts the acts set forth in Article 2, paragraph (7), item (iii) of the Act and who is a virtual currency exchange service provider who

- manages the users' money by the method specified in Article 20, paragraph (1), item (ii)); and
- (vi) records concerning the results of the audit of separate management.
- (2) A virtual currency exchange service provider must keep the books and documents set forth in items (i) through (iii) of the preceding paragraph for at least ten years from the day of the closing of the books, and the books and documents set forth in items (iv) through (vi) of the preceding paragraph for at least five years from the day of the closing of the books.
- (3) The books and documents set forth in the items of paragraph (1) must be kept in Japan; provided, however, that this does not apply if the relevant books and documents are prepared at a business office established in a foreign state and when copies thereof are kept in Japan without delay after they are prepared, or when the books and documents are prepared in the form of an electronic or magnetic record (meaning a record made in an electronic form, a magnetic form or any other form not recognizable to human perception, which is used in information processing by computers; hereinafter the same applies in this paragraph and Article 30, paragraph (2), item (iii)) and are kept under a situation where the matters recorded in those electronic or magnetic records can be inspected without delay at a business office established in Japan.

(Transaction Records Pertaining to Virtual Currency Exchange Service)

Article 27 (1) The transaction records pertaining to a virtual currency exchange service prescribed in paragraph (1), item (i) of the preceding Article are as follows:

- (i) a transaction diary;
- (ii) transaction records for intermediary or agency services; and
- (iii) the business' own ledger.
- (2) The following matters must be stated in the transaction diary referred to in item (i) of the preceding paragraph, with regard to the acts set forth in Article 2, paragraph (7), items (i) and (ii) of the Act (excluding acts pertaining to an intermediary or agency service):
- (i) the date of the contract;
- (ii) the name of the user (limited to the case where transactions pertaining to a virtual currency exchange service are carried out with the users of a virtual currency exchange service on an ongoing or recurring basis);
- (iii) whether it is a transaction for itself or a commission;
- (iv) whether it is a sale or purchase of virtual currency or an exchange with another virtual currency;
- (v) the name of the virtual currency;
- (vi) the quantity of the virtual currency;
- (vii) the contract price or unit price and the amount (in the case of an exchange

- with another virtual currency, the name of that other virtual currency and the price equivalent to the contract price);
  - (viii) the name of the counterparty (limited to the case of a commission); and
  - (ix) the amount of the fees, remuneration or any other consideration receivable in relation to the transaction (limited to the case of a commission).
- (3) The following matters must be stated in the transaction diary pertaining to an intermediary or agency service referred to in paragraph (1), item (ii), with regard to the acts set forth in Article 2, paragraph (7), item (ii) of the Act (limited to acts pertaining to an intermediary or agency service):
- (i) the date when the intermediary or agency service was provided;
  - (ii) the name of the user;
  - (iii) whether it is an intermediary or agency service;
  - (iv) the contents of the intermediary or agency service;
  - (v) the name of the virtual currency;
  - (vi) the quantity of the virtual currency;
  - (vii) the contract price or unit price and the amount (in the case of an exchange with another virtual currency, the name of that other virtual currency and the price equivalent to the contract price); and
  - (viii) the amount of the fees, remuneration or any other consideration receivable in relation to the intermediary or agency service.
- (4) The following matters must be stated in the business' own ledger referred to in paragraph (1), item (iii):
- (i) the name of the virtual currency;
  - (ii) the date of the contract;
  - (iii) the name of the counterparty (limited to the case of a transaction wherein the counterparty is selected on its own);
  - (iv) whether it is a sale or purchase of virtual currency or an exchange with another virtual currency;
  - (v) the quantity of the virtual currency; and
  - (vi) the balance of the amount of the money and the quantity of the virtual currency that it holds.

#### (Customer Ledger)

- Article 28 (1) The customer ledger prescribed in Article 26, paragraph (1), item (iii) consists of the following:
- (i) a user ledger;
  - (ii) a book on the description of the virtual currency management (limited to a person who conducts the acts set forth in Article 2, paragraph (7), item (iii) of the Act);
- (2) The user ledger referred to in item (i) of the preceding paragraph must be prepared for each user and the following matters must be stated therein:

- (i) the name of the user;
  - (ii) the name of the virtual currency;
  - (iii) whether it is a transaction for itself, intermediary, commission or agency service;
  - (iv) whether it is a sale or purchase of virtual currency or an exchange with another virtual currency;
  - (v) the date of the contract;
  - (vi) the quantity of the virtual currency; and
  - (vii) the contract price or unit price and the amount (in the case of an exchange with another virtual currency, the name of that other virtual currency and the price equivalent to the contract price).
- (3) The book on the description of the virtual currency management referred to in paragraph (1), item (ii) must be prepared for each user and the following matters must be stated therein:
- (i) whether it is an acceptance or withdrawal and the date thereof;
  - (ii) the name of a person who manages the user's virtual currency;
  - (iii) the name of the virtual currency; and
  - (iv) the quantity of the virtual currency.

(Reports on Virtual Currency Exchange Service)

Article 29 (1) The written report on a virtual currency exchange service referred to in Article 63-14, paragraph (1) of the Act must be prepared using appended Form 11 (in the case of a foreign virtual currency exchange service provider, appended Form 12) by separating it into a business summary and a document containing the status of income and expenditure pertaining to the virtual currency exchange service and must be submitted to the Commissioner of the Financial Services Agency within three months from the last day of the relevant business year (in the case of a foreign virtual currency exchange service provider, within four months from the last day of the relevant business year).

- (2) When intending to submit the written report referred to in the preceding paragraph, a virtual currency exchange service provider must submit it to the Commissioner of the Financial Services Agency by attaching two copies thereof and the latest balance sheet (including the related notes) and profit and loss statement (including the related notes), as well as an audit report prepared by a certified public accountant or audit corporation regarding these documents.

(Reports on the Management of Users' Property)

Article 30 (1) The written report referred to in Article 63-14, paragraph (2) of the Act must be prepared using appended Form 13 for each period dividing the business year by three months and must be submitted to the Commissioner of

the Financial Services Agency within one month from the last day of the relevant period.

- (2) When intending to submit the written report referred to in the preceding paragraph, a virtual currency exchange service provider must submit it to the Commissioner of the Financial Services Agency by attaching two copies thereof and documents specified in the following items for the categories of cases respectively set forth therein:
- (i) when managing the users' money by the method specified in Article 20, paragraph (1), item (i): a certificate of the balance issued by the deposit-taking institutions, etc. where the virtual currency exchange service provider has a deposit or savings account;
  - (ii) when managing the users' money by the method specified in Article 20, paragraph (1), item (ii): a certificate of the balance issued by the financial institutions engaging in the trust business;
  - (iii) when managing the users' virtual currency by the method specified in the items of Article 20, paragraph (2): a print-out of the information on the balance of the virtual currency recorded in electronic or magnetic records or other document proving the balance of the virtual currency; or
  - (iv) when undergoing an audit of separate management: a copy of the latest report submitted by the relevant certified public accountant or audit corporation.

(Method of Public Notice)

Article 31 The public notice under the provisions of Article 63-17, paragraph (2) and Article 63-19 of the Act is to be given in the Official Gazette.

## **Chapter IV Miscellaneous Provisions**

(Notification of Abolition of Business)

- Article 32 (1) A person intending to make a notification under the provisions of Article 63-20, paragraph (1) of the Act must submit to the Commissioner of the Financial Services Agency a written notice prepared using appended Form 14 by attaching two copies thereof.
- (2) The following matters must be stated in the written notice referred to in the preceding paragraph:
- (i) the trade name;
  - (ii) the registration date and registration number;
  - (iii) the reason for the notification;
  - (iv) the date on which the virtual currency exchange service provider came to fall under any of the items of Article 63-20, paragraph (1) of the Act;
  - (v) if the virtual currency exchange service provider has abolished the whole or

- part of the virtual currency exchange service, the reason therefor; and
- (vi) if the virtual currency exchange service provider has abolished the whole or part of the virtual currency exchange service by way of assignment of business, merger or company split, or for other reasons, the method for the business succession and the successor.
- (3) The public notice under the provisions of Article 63-20, paragraph (3) of the Act is to be published in the Official Gazette, in a daily newspaper that publishes matters on current events, or by means of electronic public notice prescribed in Article 2, item (xxxiv) of the Companies Act.
- (4) The public notice and the posting at business offices under the provisions of Article 63-20, paragraph (3) of the Act are to inform of the methods of completing the performance of obligations under the provisions of paragraph (5) of the same Article and returning or transferring the users' property to the users, except for the case where a public notice is given due to business succession by way of assignment of business, merger or company split, or for other reasons.
- (5) When having given a public notice under the provisions of Article 63-20, paragraph (3) of the Act, a virtual currency exchange service provider must immediately submit to the Commissioner of the Financial Services Agency a written notice prepared using appended Form 15 by attaching a copy thereof.
- (6) When intending to abolish the whole or part of the virtual currency exchange service by way of assignment of business, merger or company split, or for other reasons, a virtual currency exchange service provider must attach a document containing the contents of the contract pertaining to the business succession and the method for the business succession to the written notice referred to in the preceding paragraph.

(Notification of Violation of Laws and Regulations)

- Article 33 If a virtual currency exchange service provider has come to know that its director, etc. or employee has committed violation of laws and regulations with regard to the virtual currency exchange service or an act that hinders the proper and secure conduct of virtual currency exchange services, the virtual currency exchange service provider must submit to the Director-General of a Local Finance Bureau, etc. a written notice prepared using appended Form 16 containing the following matters, within two weeks from the day on which it came to know that fact:
- (i) the name of the business office at which the relevant act occurred;
- (ii) the name and the title of the director, etc. or employee who committed that act; and
- (iii) summary of the act.



(Government Agency through Which to Submit Written Notice)

Article 34 If a virtual currency exchange service provider intends to submit to the Director-General of a Local Finance Bureau, etc. the written application for registration prescribed in Article 4 and other documents prescribed in the Act and this Cabinet Office Order (hereinafter referred to as "written application, etc." in this Article and the following Article), and there is an office of a Local Finance Bureau, Otaru Sub-office of Hokkaido Local Finance Bureau, or Kitami Sub-office of Hokkaido Local Finance Bureau having jurisdiction over the location of its head office, the virtual currency exchange service provider must submit the written application, etc. through the head of the relevant office or sub-office of a Local Finance Bureau.

(Submission of Written Application through Certified Association for Payment Service Providers)

Article 35 When intending to submit a written application, etc. to the Director-General of a Local Finance Bureau, etc. (including submission through the head of an office or sub-office of a Local Finance Bureau under the provisions of the preceding Article), a virtual currency exchange service provider may submit it through a certified association for payment service providers.

(Standard Processing Period)

Article 36 (1) The Commissioner of the Financial Services Agency is to endeavor to process any application for registration made pursuant to the provisions of the Act, the Order, or this Cabinet Office Order within two months from the day on which the application has arrived at the office.

(2) The period prescribed in the preceding paragraph does not include the following period:

- (i) the period required to amend the application;
- (ii) the period required for the applicant to change the contents of the application; or
- (iii) the period required for the applicant to add materials that are found to be necessary for the examination pertaining to the application.