1. Purpose

The Foreign Exchange Inspection Manual shall provide for the details of matters covered by and the method, etc. of on-site inspection pursuant to the provisions of Article 68(1) of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949; hereinafter referred to as the “Foreign Exchange Act”) and on-site inspection pursuant to the provisions of Article 16(1) of the Act on Prevention of Transfer of Criminal Proceeds (Act No. 22 of 2007; hereinafter referred to as the “Criminal Proceeds Transfer Prevention Act”) (limited to the matters pertaining to specified business operators listed in Article 2(2)(xxxvii) of said Act (matters prescribed in Articles 4, 6, 7, and 8 of said Act) and the matters prescribed in Article 10 of said Act pertaining to specified business operators to which said Article applies) (hereinafter referred to as the “Foreign Exchange Inspection”), under the provisions of Article 20 of the Regulation for Foreign Exchange Inspection (Ministry of Finance Instruction No. 3 of 1998; hereinafter referred to as the “Instruction”).

2. Basic Concept of Implementation of Inspection
(1) An inspection shall be conducted as prescribed in the Instruction, and special attention shall be paid to the following points in conducting an inspection:

(i) Conduct an effective inspection by an effective method, etc. according to the business category and actual conditions of business, etc. of an institution inspected

(ii) Pursue stricter selection of focus and efficiency in the inspection and conduct the inspection in a planned manner so as to realize the maximum effect of the inspection with the minimum personnel and budget

(iii) In principle, conduct a hearing on internal audit, prior to the inspection, so as to ensure that the inspection will be carried out in an effective (as stated in (i)) and planned (as stated in (ii)) manner.

(2) In an inspection, the inspector checks whether the institution complies with the relevant provisions of foreign exchange laws and regulations and criminal proceeds transfer prevention laws and regulations (hereinafter referred to as the “Foreign Exchange Act, etc.”) with regard to transactions or acts pertaining to foreign exchange business or any other transactions or acts to which the Foreign Exchange Act, etc. is applicable (hereinafter referred to as “Transactions or Acts Subject to Inspection”) on an individual basis, and also checks whether the institution has developed an internal control system for complying with the Foreign Exchange Act, etc., thereby promoting the institution inspected to voluntarily develop a system to comply with the Foreign Exchange Act, etc.

3. Inspection Matters

(1) A Foreign Exchange Inspection shall be conducted while classifying inspection matters into the following:
(i) Status of compliance with foreign exchange laws and regulations related to economic sanctions such as asset freeze

a. Status of acquisition of permission from the Minister of Finance pursuant to the provisions of an order based on the provisions of Article 16(1), Article 21(1), or Article 25(6) of the Foreign Exchange Act (including the status of compliance with the conditions attached to permission pursuant to the provisions of Article 67(1) of said Act)

b. Status of fulfillment of the confirmation obligation pursuant to the provisions of Article 17 of the Foreign Exchange Act

(ii) Status of compliance with the provisions of the Foreign Exchange Act, etc. related to the obligation to identify customers, etc. of financial institutions, etc.

Status of fulfillment of the obligation to identify customers and the obligation to prepare a record of identity confirmation pursuant to the provisions of Article 18(1) to (3) inclusive, Article 18-3, Article 22-2, and Article 22-3 of the Foreign Exchange Act

(Note) An inspection shall also be conducted on the status of fulfillment of verification at the time of transaction, etc. pursuant to the provisions of Article 4(1) to (5) inclusive of the Criminal Proceeds Transfer Prevention Act, the obligation to prepare a record of verification, etc. pursuant to the provisions of Article 6 of said Act, and the obligation to prepare a transaction record, etc. pursuant to the provisions of Article 7 of said Act of a specified business operator set forth in Article 2(2)(xxxvii) of said Act.

(iii) Status of compliance with foreign exchange laws and regulations related to the accounting, etc. of the Special International Financial Transaction Account

Status of compliance with matters related to the accounting, etc. of the Special International Financial Transactions Account
pursuant to the provisions of an order based on the provisions of Article 21(4) of the Foreign Exchange Act (including the status of compliance with the conditions attached to approval pursuant to the provisions of Article 67(1) of said Act)

(iv) Status of compliance with criminal proceeds transfer prevention laws and regulations related to the notification, etc. of suspicious transactions pertaining to currency exchange business

Status of fulfillment of the obligation to give notification of suspicious transactions, etc. pursuant to the provisions of Article 8 of the Criminal Proceeds Transfer Prevention Act

(v) Status of compliance with criminal proceeds transfer prevention laws and regulations related to the notification obligation pertaining to foreign exchange transactions

Status of fulfillment of the notification obligation pertaining to foreign exchange transactions pursuant to the provisions of Article 10 of the Criminal Proceeds Transfer Prevention Act

(vi) Status of compliance with foreign exchange laws and regulations related to the matters listed in (i) to (iii)

(vii) Status of fulfillment of the obligation to give notification pursuant to the provisions of Article 55-3(6) of the Foreign Exchange Act (limited to Foreign Exchange Inspections on a notifier prescribed in paragraph (3) of said Article)

(2) Flexible inspections shall be aimed at by, for example, setting priority inspection matters out of the classifications of inspection matters in (1) with respect to each individual inspection according to the business category and actual conditions of business, etc. of the institution inspected, from the perspective of effectiveness and stricter selection of focus/increase in efficiency of inspections.

4. Inspection Method
For a hearing on internal audit provided in 2 (1) (iii), the inspector shall use the attached form, “Internal Audit Hearing Sheet,” to check the system for and the functioning of internal audit at the institution inspected, with regard to items that concern compliance with the Foreign Exchange Act, etc. For inspection matters provided in 3 (1) (i) to (v), the status of compliance with the Foreign Exchange Act, etc. shall be checked by the following method, using the attached checklists.

(1) Confirm whether an internal control system for compliance with the Foreign Exchange Act, etc. has been developed within the framework of the legal compliance system and administrative risk management system of the institution inspected, with the use of the “Checklist for the Overall Internal Control System for Compliance with the Foreign Exchange Act, etc.,” and understand problems with the transactions or acts of the individual institution inspected in terms of complying with the Foreign Exchange Act, etc.

(2) Confirm the following according to the classifications listed in 3(1)(i) to (v) with the use of the “Checklist for Compliance with Foreign Exchange Laws and Regulations in Relation to Economic Sanctions such as Asset Freeze,” the “Checklist for Compliance with Foreign Exchange Laws and Regulations in Relation to the Obligation to Identify Customers, etc. of Financial Institutions, etc. (excluding Currency Exchange Business),” the “Checklist for Compliance with Criminal Proceeds Transfer Prevention Laws and Regulations in Relation to Verification at the Time of Transaction, etc. and Foreign Exchange Laws and Regulations in Relation to the Obligation to Identify Customers, etc. in the Currency Exchange Business of Financial Institutions, etc.,” the “Checklist for Compliance with Foreign Exchange Laws and Regulations in Relation to the Accounting of the Special International Financial Transactions Account,” the “Checklist for Compliance with Criminal Proceeds Transfer Prevention Laws and Regulations in Relation to the Obligation to Give Notification of Suspicious Transactions, etc.,
Pertaining to Currency Exchange Business,” and the “Checklist for Compliance with Criminal Proceeds Transfer Prevention Laws and Regulations in Relation to the Notification Obligation Pertaining to Foreign Exchange Transactions.”

(i) Has the institution developed an internal control system for complying with the Foreign Exchange Act, etc. pertaining to its transactions or acts?

(ii) Does the institution comply with the Foreign Exchange Act, etc. with regard to individual transactions or acts subject to inspection (field survey)?

(Note) As it is ordinarily impossible to check those matters for all individual transactions or acts of an institution inspected, it is safe to check those with regard to transactions or acts extracted accordingly from transactions or acts conducted within a certain period (for example, three years before the date specified as the base date of inspection) by a method that can achieve the maximum effect of the inspection.

(3) Defects in transactions or acts that are not in compliance with the Foreign Exchange Act, etc. which have been understood through an inspection shall not be immediately handled as matters to be pointed out, but the inspector shall review the causes, etc. thereof, and confirm problems through dialogue with the person responsible for the defect or department in charge, thereby promoting development of measures to prevent recurrence thereof.

(4) Instructions for use of the attached checklists

(i) Pay attention to the point that, among the attached checklists, matters concerning the internal control system, etc. are for understanding problems in institutions inspected complying with the Foreign Exchange Act, etc., and are also to be used as a reference in
inspecting the individual transactions or acts of institutions inspected, and that institutions inspected are not immediately legally obliged to achieve these levels.

(ii) The attached checklists are for all financial institutions, etc., including overseas branches of Japanese banks and Japanese branches of foreign banks. However, application to an overseas branch shall be determined based on the application of the Foreign Exchange Act and local laws and regulations and the actual conditions of business, etc. at the overseas branch.

(iii) The attached checklists were prepared mainly for banks, etc. that deal with many foreign remittance transactions and non-residents’ deposits. In conducting an inspection, apply the checklists in sufficient consideration of the actual conditions and uniqueness of the institution inspected, taking into account that the content and level, etc. of development of a system to comply with the Foreign Exchange Act, etc. that should be required differ depending on the business category and the actual conditions of business, etc. of the institution inspected.

(iv) In the checklists, unless specified otherwise, matters expressed in question forms such as “Does the institution...” or “Is the institution...” refer to requirements that should be met in principle by institutions inspected (minimum standard). In addition, matters expressed in the question form, “Is the institution making efforts ...”, or preceded by “It is desirable...” refer to nonbinding targets or desired matters (best practices).

(v) In the checklists, the “Board of Directors, etc.” include committees or meetings, etc. in the organization which are composed of related directors, such as a council of managing directors and a corporate management council, in addition to the Board of Directors.

In addition, “manager” refers to the senior management officer (including directors) who assumes the same level of work
responsibilities as or higher responsibilities than those of the branch head.

Incidentally, with regard to the cooperative type of financial institutions, the “Board of Directors” in the checklists shall be deemed to be replaced with the “Executive Board, etc.,” and “director” in the checklists shall be deemed to be replaced with “executive board member.”
Please provide all officials in charge of the hearing, with copies of the documents marked with ◎ as reference materials. Please prepare just one copy of the documents marked with ○.

If a document is already required by another check item, submission of the document can be omitted by indicating the name of the document in the “Answer” field.

If there is any question whose answer is obvious just by looking at a document, a detailed explanation can be omitted by indicating the document number, page number, etc. of the reference document in the “Answer” field.

<table>
<thead>
<tr>
<th>Check items on internal audit</th>
<th>Questions concerning the check items</th>
<th>Answer</th>
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</table>
| (1) System for internal audit | (i) Are there any rules concerning internal audit?  
(If the answer is “yes,” please indicate the name and role(*) of individual rules.)  
(* e.g., How the rules are related to each other and prioritized)  
○ Please prepare a copy of the rules concerning internal audit (rules on internal audit, and statement on internal audit procedures, etc.).  
(ii) Is there an internal audit division that verifies the appropriateness and validity of the business?  
(If the answer is “yes,” please indicate the name of that division, the number of staff, director in charge, and the person actually responsible. Are they vested with the authority to execute an independent and impartial internal audit?)  
◎ Please present an organization chart which shows all divisions and departments involved in internal audit. |        |
(iii) Do you provide the Internal Audit Division with a sufficient number of competent employees who have the knowledge of foreign exchange business and its operations, in order to ensure the proper implementation of an internal audit on foreign exchange transactions?
(Please indicate the number of employees who have qualifications for internal auditing, such as Certified Internal Auditors, as well as systems that financially support the acquisition of such qualifications.)
(iv) An internal audit needs to be conducted on major items described in the checklists (Attachment 2 through 6) of the Foreign Exchange Inspection Manual in relation to foreign exchange laws and regulations as well as criminal proceeds transfer prevention laws and regulations (hereinafter referred to as the “Foreign Exchange Act, etc.”). What type of audit items do you adopt for internal audit? How often are internal audits conducted? (Please also indicate how often comprehensive audits, partial (thematic) audits, special (accidental) audits, etc. are conducted.) *Please indicate specific audit items in (2) (ii).

(v) Are any internal or external assessments conducted on the quality of internal audit? If so, how are such assessments conducted?
<table>
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<tr>
<th>Check items on internal audit</th>
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<th>Answer</th>
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<tbody>
<tr>
<td>(2) Auditing function</td>
<td>(i) In conducting an internal audit, a series of processes needs to be completed, from planning, authorization, implementation, verification and review, etc. What procedures do you take? (Please indicate the specific implementation process.)</td>
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<td>○ Please prepare internal audit implementation guidelines, internal audit plan, etc. (Note)</td>
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<td></td>
<td>(Note) Please prepare ones that have been used after the last Foreign Exchange Inspection.</td>
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<td></td>
<td>(ii) Were items concerning compliance with the Foreign Exchange Act, etc. included in the scope of the internal audit, which was conducted after the last Foreign Exchange Inspection? Please indicate the specific content of the internal audit concerning the following obligations for the responsible department of the head office, and for the branches, separately.</td>
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<td></td>
<td>• Confirmation Obligation by Banks, etc. (Article 17 of the Foreign Exchange Act)</td>
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<td>• Obligation to Identify Customers (Article 18 of said Act)</td>
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<td></td>
<td>• Obligation to conduct verification at the time of transaction (Article 4 of the Act on Prevention of Transfer of Criminal Proceeds)</td>
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<td></td>
<td>• Obligation to give notification of suspicious transactions (Article 8 of said Act)</td>
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<td></td>
<td>• Obligation to notify (Article 10 of said Act)</td>
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<tr>
<td></td>
<td>Please describe the reasons if one or more obligations above are not included in the scope of internal audit.</td>
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<td>Also, please describe the sampling method for and the sample number of materials concerning major audit items.</td>
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<td>Please indicate if there are any internal audit items that are entrusted to an external service provider.</td>
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<td>(iii) The Internal Audit Division needs to monitor how the defects pointed out at Foreign Exchange Inspection are addressed. Were there any defects pointed out at the last Foreign Exchange Inspection? If so, how did the Internal Audit Division address such items?</td>
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<td>○ Please prepare relevant internal audit reports that have been issued since the last Foreign Exchange Inspection.</td>
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<tr>
<td>Check items on internal audit</td>
<td>Questions concerning the check items</td>
<td>Answer</td>
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<td>(iv) The Internal Audit Division must monitor how the defects pointed out at internal audit are addressed. Were there any such items pointed out in relation to the Foreign Exchange Act, etc. in past internal audit?  (Note) If so, how did the Internal Audit Division address such items?  (Note) Referring to the internal audits that have been conducted after the last Foreign Exchange Inspection.  ○ If there were any defects concerning the Foreign Exchange Act, etc. that have been pointed out (including minor clerical mistakes, etc.), please prepare a relevant internal audit report. If a relevant internal audit report is not available, please prepare an internal audit report for the department that is related to foreign exchange transactions. ○ Please show a document concerning the status of development of improvement measures at the operational division, etc. whose defects were pointed out, and a document concerning the verification of the improvement status by the Internal Audit Division, etc.</td>
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</table>
(v) Results of the audit must be regularly reported to the Board of Directors. How are the internal audit results, including items concerning compliance with the Foreign Exchange Act, etc., reported to management? Are they reported to the Board of Directors, CEO, etc.?

○ If so, please prepare a relevant document.

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<td>(3) Other</td>
<td>(i) How does the Internal Audit Division utilize the defects found in self-inspections concerning the Foreign Exchange Act, etc.?</td>
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<td>(ii) Employees engaged in internal audit are required to continuously improve their expertise and techniques. What kind of human resource development program do you have?</td>
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<td>○ If you have any such programs, please show the training program and materials, etc.</td>
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Checklists

(Attachment 1) Checklist for the Overall Internal Control System for Compliance with the Foreign Exchange Act, etc.

(Attachment 2) Checklist for Compliance with Foreign Exchange Laws and Regulations in Relation to Economic Sanctions such as Asset Freeze

(Attachment 3-1) Checklist for Compliance with Foreign Exchange Laws and Regulations in Relation to the Obligation to Identify Customers, etc. of Financial Institutions, etc. (excluding Currency Exchange Business)

(Attachment 3-2) Checklist for Compliance with Criminal Proceeds Transfer Prevention Laws and Regulations in Relation to Verification at the Time of Transaction, etc. and Foreign Exchange Laws and Regulations in Relation to the Obligation to Identify Customers, etc. in the Currency Exchange Business of Financial Institutions, etc.

(Attachment 4) Checklist for Compliance with Foreign Exchange Laws and Regulations in Relation to the Accounting, etc. of the Special International Financial Transactions Account

(Attachment 5) Checklist for Compliance with Criminal Proceeds Transfer Prevention Laws and Regulations in Relation to the Obligation to Give Notification of Suspicious Transactions, etc. Pertaining to Currency Exchange Business
(Attachment 6) Checklist for Compliance with Criminal Proceeds Transfer Prevention Laws and Regulations in Relation to the Notification Obligation Pertaining to Foreign Exchange Transactions
Checklist for the Overall Internal Control System for Compliance with the Foreign Exchange Act, etc.

1. Positioning of Compliance with the Foreign Exchange Act, etc. in the Legal Compliance System

1. Status of Development/Establishment of the Legal Compliance System

Does the institution have a system to comply with the Foreign Exchange Act, etc. within the framework of the basic policy of legal compliance and compliance criteria which have been developed by the Board of Directors?

2. Status of Providing/Development of Matters that Must Be Complied with, Including Laws and Regulations

(1) Does the institution position the provisions of the following laws and regulations as those that must be complied with in the Compliance Manual?

(i) Provisions on economic sanctions such as asset freeze

(a) Provisions on an order pursuant to the provisions of Article 16(1), Article 21(1), or Article 25(6) of the Foreign Exchange Act related to permission from the Minister of Finance

(b) Provisions of Article 17 of the Foreign Exchange Act related to the confirmation obligation

(ii) Provisions on the obligation to identify customers, etc. and verification at the time of transaction, etc.

(a) Provisions of Article 18(1) to (3) inclusive, Article 18-3, Article 22-2, and Article 22-3 of the Foreign Exchange Act related to the obligation to identify customers and the obligation to prepare a record of identity confirmation, etc.

(b) Provisions of Article 4(1) to (5) inclusive, Article 6, and Article 7 of the Criminal Proceeds Transfer Prevention Act related to verification at the time of transaction, etc. (limited to those pertaining to currency exchange business operators)

(Note) It is necessary to pay attention to the point that the provisions are those pertaining to payment or capital transactions, etc. to which the institution is a party.
(iii) Provisions on the accounting, etc. of the Special International Financial Transactions Account

Provisions on an order pursuant to the provisions of Article 21(4) of the Foreign Exchange Act related to the accounting, etc. of the Special International Financial Transactions Account

(iv) Provisions on the notification, etc. of suspicious transactions

Provisions of Article 8 of the Criminal Proceeds Transfer Prevention Act related to the notification, etc. of suspicious transactions

(v) Provisions on the notification obligation pertaining to foreign exchange transactions

Provisions of Article 10 of the Criminal Proceeds Transfer Prevention Act related to the notification obligation pertaining to foreign exchange transactions

<Remarks>

“Compliance Manual” refers to a specific manual to ensure compliance (which specifically provides explanations of laws and regulations that must be complied with and instructions as to what measures should be taken when illegal acts are detected).

(2) Does the institution position provisions on the obligation to report prescribed in Chapter 6-2 of the Foreign Exchange Act and other related provisions, as well as the provisions mentioned in (1)(i) to (iii) above, as laws and regulations, etc. that must be complied with in the Compliance Manual?

3. Status of Development of a System to Check Whether the Compliance System Is Functioning

3-1 Compliance Program

Does the institution examine matters pertaining to compliance with the Foreign Exchange Act, etc. in the process of formulating and reviewing the Compliance Program? Does the institution take up such matters in the Compliance Program if necessary?

<Remarks>

“Compliance Program” refers to a program for implementing specific measures to ensure compliance (including the development of provisions, an internal control implementation plan, and planning of employee training)
3-2 Compliance Environment

(1) Does the institution have compliance with the Foreign Exchange Act, etc. handled in the uniform management system for legal problems, including compliance?

(2) Has the institution developed a system of communication, report, consultation, etc. between the Compliance Control Division and operational divisions/sales branches, etc. with regard to the collection/management of information related to the Foreign Exchange Act, etc.?

(3) Does the institution take up compliance with the Foreign Exchange Act, etc. in the training and education for compliance or administrative work?

(4) Handing of cases where there is a violation of the Foreign Exchange Act, etc.
   (i) Where there is a violation of any provision of the Foreign Exchange Act, etc., does the institution promptly report, etc. it to the authorities and handle it in an appropriate manner?
   (ii) Does the institution report serious problems, such as a violation related to economic sanctions such as asset freeze, to the Administrative Division, the Internal Audit Division, the Compliance Control Division, etc. and also report them to the Board of Directors, etc.?
   (iii) Does the institution analyze the causes of occurrence of a violation and take measures to prevent recurrence thereof?
   (iv) Has the institution developed a system to ensure fact-finding, to pursue the responsibility of the persons involved, and to clarify the supervisory responsibility with regard to cases violating the provisions of the Foreign Exchange Act, etc.?

4. Status of Development/Application of Provisions on Sanctions (Punishment) in the Case of a Violation of Laws and Regulations, etc.

Does the institution have the provisions of the Foreign Exchange Act, etc. dealt with in the development/application of provisions on sanctions (punishment) in the case of a violation of laws and regulations, etc.?
1. Recognition of Directors, Roles of the Board of Directors, and Recognition and Roles of Manager

Does the institution have a system to implement administrative work pertaining to compliance with the Foreign Exchange Act, etc. without fail within the policy of risk management set by the Board of Directors and the framework of administrative risk management set by a director in charge or manager?

(Note) Where financial institutions, etc. are unable to comply with foreign exchange laws and regulations related to economic sanctions such as asset freeze in an appropriate manner, the risk incurred by the financial institutions, etc. may extend to serious legal risk and reputation risk. From this perspective, see also the check items in “I. Positioning of Compliance with the Foreign Exchange Act, etc. in the Legal Compliance System.”

2. Positioning of Compliance with the Foreign Exchange Act, etc. in Audit and Correction of Problems

(1) Method and content of internal audit

(i) Do the Internal Audit Guidelines, etc. to audit the administrative risk management system, which have been prepared by the Internal Audit Division, include items pertaining to compliance with the Foreign Exchange Act, etc.?

(ii) Does the Internal Audit Division analyze the results, etc. of internal audit which are related to items pertaining to compliance with the Foreign Exchange Act, etc., and accurately notify the results of analysis to operational divisions and sales branches? In addition, do operational division managers and sales branch heads, etc. use these results, etc. of internal audit for compliance with the Foreign Exchange Act, etc.?

(2) Does the Internal Audit Division report the results, etc. of internal audit, including items pertaining to compliance with the Foreign Exchange Act, etc. to the Board of Directors, etc.?

3. Positioning of Compliance with the Foreign Exchange Act, etc. in the Administrative Risk Management System

3-1 Roles of the Administrative Risk Management Division

(1) Development of the Organization of Administrative Divisions

(i) Does the institution make clear a division in charge of developing provisions on administrative work, etc. pertaining to compliance with the Foreign Exchange Act, etc.?
(ii) Has the institution made clear a division in charge of administrative guidance and training pertaining to compliance with the Foreign Exchange Act, etc. and developed a system to sufficiently exert the function of the division?

(iii) Have the administrative divisions developed a system to respond to inquiries, etc. from sales branches about administrative processes pertaining to compliance with the Foreign Exchange Act, etc. promptly and accurately?

(iv) Do the administrative divisions adopt a system that enables the sufficient functioning of a check-and-balance system in relation to compliance with the Foreign Exchange Act, etc. while being independent from the Marketing and Sales Division?

(2) Status of Development of Provisions

(i) Are the provisions on administrative work in compliance with the Foreign Exchange Act, etc.?

(ii) Have the administrative divisions developed provisions that enable them to analyze the content of business and to conduct administrative work pertaining to compliance with the Foreign Exchange Act, etc. without fail?

(iii) Are the provisions on administrative work pertaining to compliance with the Foreign Exchange Act, etc. set with regard not only to the administrative work of sales branches but also to that of the relevant operational divisions?

(iv) Does the institution review the provisions on administrative work pertaining to compliance with the Foreign Exchange Act, etc. on an as needed basis?

(3) Internal Control

(i) Do the administrative divisions provide for measures to consistently check the administrative risk management system at sales branches with regard to administrative work pertaining to compliance with the Foreign Exchange Act, etc.?

(ii) Do the administrative divisions promote enhancement of the level of administrative work pertaining to compliance with the Foreign Exchange Act, etc. at sales branches in coordination with the Internal Audit Division, etc.?

(iii) Do the administrative divisions manage outsourced administrative work appropriately according to the content, etc. of the outsourced administrative work so as not to violate any provision of the Foreign Exchange Act, etc.?
3-2 Roles of Sales Branches and Operational Divisions

(1) Do sales branch heads and operational division managers understand the status of compliance with the provisions on administrative work pertaining to compliance with the Foreign Exchange Act, etc. and problems in administrative processes at their own branches or divisions and make improvements thereto?

(2) Do sales branches and operational divisions conduct administrative processes pertaining to compliance with the Foreign Exchange Act, etc. in an appropriate manner? (See the checklists for individual inspection matters with regard to the status of compliance with the Foreign Exchange Act, etc. on an individual basis.)

(3) Do sales branches and operational divisions conduct effective self-inspections on the status of compliance with the Foreign Exchange Act, etc.?
I. Internal Control System to Respond to Economic Sanctions such as Asset Freeze

1. Positioning of Compliance with Foreign Exchange Laws and Regulations within the Legal Compliance System

Use “(Attachment 1) Checklist for the Overall Internal Control System for Compliance with the Foreign Exchange Act, etc.” to check whether an institution has a system to comply with foreign exchange laws and regulations (in relation to economic sanctions such as asset freeze) within the framework of the legal compliance system.

In particular, keep the following points in mind.

(1) Does the explanation of the provisions of foreign exchange laws and regulations related to economic sanctions such as asset freeze in the Compliance Manual include not only matters concerning the confirmation obligation pursuant to the provisions of Article 17 of the Foreign Exchange Act but also matters concerning the obligation to acquire permission from the Minister of Finance pursuant to the provisions of an order based on the provisions of Article 16(1), Article 21(1), or Article 25(6) of said Act in cases where the institution has become a party to the transactions or acts?

(2) Has the explanation of the provisions of foreign exchange laws and regulations related to economic sanctions such as asset freeze been revised in accordance with changes, etc. to the content of economic sanctions such as asset freeze?

(Note) Even if the detailed contents, including the names of countries, individuals, or groups subject to economic sanctions such as asset freeze, are not directly stated in the Compliance Manual of an institution, the institution shall be deemed to fulfill the check item if other internal provisions, etc. to be referred to are clearly indicated.

2. Positioning of Compliance with Foreign Exchange Laws and Regulations within the Administrative Risk Management System

Use “(Attachment 1) Checklist for the Overall Internal Control System for Compliance with the Foreign Exchange Act, etc.” to check whether an institution has a system to comply with foreign exchange laws and regulations (in relation to economic sanctions such as asset freeze) within the framework of the administrative risk management system.

In particular, keep the following points in mind.

(1) Does the explanation of the provisions of foreign exchange laws and regulations related to economic sanctions such as asset freeze in the Compliance Manual include not only matters concerning the confirmation obligation pursuant to the provisions of Article 17 of the Foreign Exchange Act but also matters concerning the obligation to acquire permission from the Minister of Finance pursuant to the provisions of an order based on the provisions of Article 16(1), Article 21(1), or Article 25(6) of said Act in cases where the institution has become a party to the transactions or acts?

(2) Has the explanation of the provisions of foreign exchange laws and regulations related to economic sanctions such as asset freeze been revised in accordance with changes, etc. to the content of economic sanctions such as asset freeze?
Compliance with the Foreign Exchange Act, etc.” to check whether an institution has a system to comply with foreign exchange laws and regulations (in relation to economic sanctions such as asset freeze) within the framework of the administrative risk management system.

In particular, keep the following points in mind.

(1) Do the provisions on administrative work related to economic sanctions such as asset freeze prescribe specific administrative procedures for complying with foreign exchange laws and regulations related to economic sanctions such as asset freeze, including (i) obtaining information on changes, etc. to the content of economic sanctions such as asset freeze as well as updating and dissemination to related divisions and branches of information on those subject to economic sanctions such as asset freeze (including a list of the names, etc. of those subject to economic sanctions such as asset freeze (List of Those Subject to Sanctions)), (ii) means of and criteria for checking to confirm whether a deposit transaction, etc. is with a person subject to economic sanctions such as asset freeze, (iii) means of and criteria for checking to confirm whether a payment, etc. falls under the category of payments subject to economic sanctions such as asset freeze, and (iv) criteria for judgment and measures, etc. taken after judgment in cases where it is not clear whether a transaction or an act falls under the category of transactions or acts subject to economic sanctions such as asset freeze?

(2) Have the provisions on administrative work been revised in accordance with changes, etc. to the content of economic sanctions such as asset freeze?

(Note) Even if the names, etc. of countries, individuals, or groups subject to economic sanctions such as asset freeze are not directly stated in the provisions on administrative work of an institution, the institution shall be deemed to fulfill the check item if other internal provisions, etc. to be referred to are clearly indicated.

3. Other

Does the institution appoint a director in charge or manager who is responsible for responding to economic sanctions such as asset freeze (hereinafter referred to as “Asset Freeze Administrator”)? Has the institution developed a system in which an Asset Freeze Administrator coordinates among related divisions and branches (including divisions and branches in charge of identity confirmation), including the Compliance Control Division, operational divisions, administrative divisions, and
sales branches, to comply with the provisions of foreign exchange laws and regulations related to economic sanctions such as asset freeze without fail?

(Note) Even if an institution has not appointed a responsible person by specifying compliance with foreign exchange laws and regulations related to economic sanctions such as asset freeze, the institution shall be deemed to fulfill the check item if the following requirements are fulfilled.
(i) It is clear from the corporate post of a director in charge or manager that he/she is responsible for compliance with foreign exchange laws and regulations related to economic sanctions such as asset freeze.
(ii) The relevant director in charge or manager actually coordinates among related divisions and branches and takes measures to develop a system to comply with foreign exchange laws and regulations related to economic sanctions such as asset freeze.

II. Status of Response to Economic Sanctions such as Asset Freeze

1. Internal Dissemination of Information
   (1) Where those subject to regulations have been expanded or changed, for example, through addition of those subject to economic sanctions such as asset freeze by a public notice, does the institution immediately disseminate the content thereof to managers and divisions and branches in charge?

(Note) If it is difficult to immediately disseminate such information by formal correspondence methods, such as internal notices in writing, it is necessary to do so with the use of an internal information and telecommunications network, etc. (emails, posting on an E-forum, etc.).

(2) Where those subject to regulations have been expanded or changed as in (1) above, does the institution update, immediately develop, and disseminate the “List of Those Subject to Sanctions” (limited to those searchable by an electromagnetic means; the same shall apply hereinafter) containing information such as the names, addresses, etc. of those subject to economic sanctions such as asset freeze, which has been prepared by an electromagnetic means to be used for information processing by a computer so that the Sales Division and sales branches which are engaged in deposit transactions, etc. and remittance services can use the list to check whether a relevant transaction is with a person subject to economic sanctions such as asset freeze?
(3) It is desirable that there is an arrangement whereby the institution gains the understanding of the content of a public notice in advance from email information delivered by the Minister of Finance prior to the issuance of the public notice, immediately disseminates it within the organization, and starts preparing for taking measures to respond to sanctions such as asset freeze.

2. Management of Deposit Accounts

(1) In managing deposit accounts, does the institution manage them by the country of residence of deposit account holders, while distinguishing between non-residents’ deposit accounts and residents’ deposit accounts, based on information about the residential status and place of residence of deposit account holders and register names written in the Latin alphabet, as well as names written in kana, in an information system, etc. based on identity confirmation documents with regard to non-residents’ deposit accounts and deposit accounts of persons who are obviously determined to be foreign nationals from their names based on identity confirmation documents (hereinafter referred to as “Foreign National Names”) (hereinafter referred to as “Non-Residents’ Deposit Accounts, etc.”), such as foreign nationals who are residents?

(Note) i) This shall not apply to registration of deposit account names in cases where
there are constraints on the information system, etc., for example, where deposit account names can be registered only in the Latin alphabet at foreign banks, etc. In addition, where deposit account names cannot be registered in the Latin alphabet due to constraints in the information system, etc., the institution is not necessarily required to review the information system, etc. if it is possible to check that there is no relevant deposit account at the institution in cases where those subject to regulations are expanded and changed (for example, where those subject to economic sanctions such as asset freeze are added by a public notice) by extracting information about holders of Non-Residents’ Deposit Accounts, etc. from information about all deposit account names through complete enumeration and preparing a list that is searchable by an electromagnetic means.

In this case, it is necessary to set the provisions on administrative work with regard to management procedures, etc. of the list as it is necessary to make additions, etc. to the information about holders of Non-Residents’ Deposit Accounts, etc. in the list in a timely and appropriate manner.

ii) With regard to deposit accounts with Foreign National Names for which information about the name of the holder written in the Latin alphabet has not been acquired, it is necessary to take opportunities, including opportunities to contact the relevant deposit account holders, to acquire the alphabetical notation, from the perspective of ensuring assured implementation of economic sanctions such as asset freeze.

iii) Incidentally, this shall not apply to cases where it is difficult to acquire a Foreign National Name written in the Latin alphabet as the alphabetical notation is not included in identity confirmation documents.

(2) Does the institution set an information system, etc. so as to prevent automatic deposit to and withdrawal from the deposit accounts of those subject to economic sanctions such as asset freeze?

3. Confirmation of Existence of Deposit Accounts Subject to Economic Sanctions such as Asset Freeze

(1) Where those subject to regulations are expanded and changed, for example, where those subject to economic sanctions such as asset freeze are added by a public notice, does the institution immediately confirm that there is no deposit account that falls under those subject to regulations at the institution?

(2) Where an individual or a group is designated as the subject of sanctions, does the institution check names to confirm the existence of the relevant deposit accounts while keeping in mind the points listed in (i) to (iv) below?
(i) Scope of deposit accounts to be checked
a. Do deposit accounts to be checked include Non-Residents’ Deposit Accounts, etc.?

(Note) It is necessary to keep in mind that deposit accounts to be checked are not limited to non-residents’ deposit accounts. This is to confirm that those subject to economic sanctions such as asset freeze do not creep into residents’ deposit accounts managed by the institution, from the perspective of ensuring assured implementation of economic sanctions such as asset freeze, though those subject to economic sanctions such as asset freeze are limited to non-residents under the present circumstances. It is necessary to include the deposit accounts of persons for whom it is difficult to accurately manage residential status, such as foreign nationals, in the scope of deposit accounts to be checked.

b. Does the institution check dormant accounts, etc., that is, accounts of which the holder has neither deposited money nor withdrawn money for a long period of time (including those pertaining to the balance of deposit accounts that have been transferred into miscellaneous income)?

(Note) Even if it is difficult to make dormant accounts, etc. subject to checking of names as information thereon is not left in the information system, etc. that manages deposit accounts, the institution shall be deemed to fulfill the check item if its provisions on administrative work clearly stipulate that when a customer requests withdrawal of money from the relevant deposit account, it shall be confirmed whether the customer is subject to economic sanctions such as asset freeze.

(ii) Means of Checking
a. Where there are many deposit account names to be checked, it is difficult to check all of them visually. Therefore, does the institution conduct checking in a prompt and reasonable manner with the use of an information system, etc.?

b. In addition, does the institution determine a means of checking to be prompt and reasonable in consideration of elements such as the number of those subject to economic sanctions such as asset freeze added or changed, the number of deposit accounts to be checked, and the number of persons engaged in checking, while keeping in mind that checking has to be conducted in a prompt and reasonable manner even in the case of checking
without using any information system, etc.?

(iii) Criteria for Checking

a. In checking using an information system, etc., does the institution extensively check names with the use of information not only about names of those subject to sanctions such as asset freeze written in kana but also about those written in the Latin alphabet (including aliases)?

b. Does the institution conduct checking in an appropriate manner not by searching exact-match names but by first extracting similar deposit account names through search by each word and then narrowing down extensive candidates one by one?

c. Does the institution record the content and results, etc. of checking conducted based on the criteria for checking set forth in a. and b. above?

(Note) i) Where it is difficult to check names based on the aforementioned criteria for checking due to information system constraints, etc., the institution shall be deemed to fulfill the check item if it conducts checking based on the aforementioned criteria after extracting information about the holders of Non-Residents’ Deposit Accounts, etc. from an information system, etc. on each occasion of checking and preparing a list that is searchable by an electromagnetic means.

ii) Even where the institution conducts management mentioned in (Note) i) in II.2.(1), it shall be deemed to fulfill the check item if it conducts checking based on the aforementioned criteria for checking.

iii) For Foreign National Names of which alphabetical notation is difficult to acquire due to a reason mentioned in (Note) iii) in II.2.(1), the institution shall be deemed to fulfill the check item if it conducts checking of names with the use of information about names written in kana.

iv) In addition, with regard to recording of the content and results of checking and the fact that checking was performed as listed in c. above, the institution must preserve word information used in checking (keywords for search) and the results of search by the relevant word information, etc. in writing or by an electromagnetic means, etc.

(iv) Does the institution take appropriate actions in cases where a deposit account name that is identical with, or similar to, a name of a person who
has been made subject to economic sanctions such as asset freeze by a public notice has been detected?

(Note) It is necessary for an Asset Freeze Administrator to make a final judgment on whether a depositor is an individual/group subject to economic sanctions such as asset freeze, based on a record of identity confirmation, etc. at the time of opening of the deposit account and the status of depositing and withdrawal, etc. In making such a judgment, where it is not clear whether the depositor falls under those subject to economic sanctions such as asset freeze (for example, where the deposit account is a dormant account), it is necessary to manage the deposit account separately from ordinary deposit accounts and to determine whether the depositor falls under those subject to economic sanctions such as asset freeze by newly acquiring detailed information about the depositor through opportunities to contact the depositor, such as the time of depositing and withdrawal.

(3) In opening a new deposit account pertaining to a non-resident/customer with a Foreign National Name, does the institution check whether the non-resident/customer with a Foreign National Name is subject to economic sanctions such as asset freeze in an appropriate manner, for example, by searching his/her name in a “List of Those Subject to Sanctions” with the use of a computer and by, in search, first extracting similar names through search by each word and then narrowing down extensive candidates one by one? In addition, does the institution record the content and results of checking by this method and the fact that checking has been performed?

(Note) For a record of the content and results of checking, the institution must preserve word information used in checking (keywords for search) and the results of search by the relevant word information, etc. in writing or by an electromagnetic means, etc. In addition, for a record of the fact that checking has been performed, the institution must preserve the date of checking and matters sufficient to specify the person who performed the checking, including the name, in writing or by an electromagnetic means, etc.

4. Status of Management of Deposit Accounts Subject to Economic Sanctions Such as Asset Freeze, If Any, etc.

(1) Is there an arrangement to manage deposit accounts that fall under those
subject to economic sanctions such as asset freeze separately from ordinary deposit accounts, if any, and to prevent withdrawal of such a deposit unless an Asset Freeze Administrator or a person entrusted thereby confirms permission under the Foreign Exchange Act and approves the withdrawal?

(Note) It is necessary to pay attention to the point that even transactions whereby no fund directly falls to the other party, such as withdrawals of account management fees, may fall under capital transactions under the Foreign Exchange Act and thus require permission.

(2) Does the institution pay back deposits that fall under those subject to economic sanctions such as asset freeze after acquiring permission under the Foreign Exchange Act?
   In addition, does the institution comply with the conditions attached to permission, if any?

(3) Does the institution make a report to the authorities in an appropriate manner, for example, in cases where a special report pursuant to the provisions of Article 55-8 of the Foreign Exchange Act is required with regard to a deposit account that falls under those subject to economic sanctions such as asset freeze?

5. Status of Management of Payment to Those Subject to Sanctions, etc.
   (1) Is there an arrangement to prevent payment to those subject to economic sanctions such as asset freeze unless an Asset Freeze Administrator or a person entrusted thereby confirms permission under the Foreign Exchange Act and approves the payment?

(Note) It is necessary to pay attention to the point that even transactions whereby no fund directly falls to the other party, such as paying-in of interest on a deposit, may fall under payment under the Foreign Exchange Act and thus require permission.

(2) Does the institution make payment to those subject to economic sanctions such as asset freeze after acquiring permission under the Foreign Exchange Act?
   In addition, does the institution comply with the conditions attached to the permission, if any?

6. Status of Management of Capital Transactions, etc. Other than Deposits
   Where economic sanctions such as asset freeze include those pertaining to capital
transactions other than deposits or service transactions, the inspector shall conduct inspection on the content following the items mentioned in 3. and 4. above on an as needed basis.

7. Status of Fulfillment of the Confirmation Obligation by Banks, etc.

(i) Does the financial institution/fund transfer specialist which handles remittance (hereinafter referred to as “Remittance Handling Financial Institution, etc.”) fulfill the confirmation obligation pursuant to Article 17 of the Foreign Exchange Act while keeping in mind the points listed in (i) to (v) below where it intends to commit an exchange transaction pertaining to payment or receipt of payment (hereinafter referred to as “Payment, etc.”) by a customer?

(Note) Fund transfer specialist refers to a person who has been registered as a fund transfer specialist based on the Act on Financial Settlements.

(i) Understanding of remittance information

Does the Remittance Handling Financial Institution, etc. understand information necessary to confirm that the remittance is not a remittance subject to economic sanctions such as asset freeze, including regulations on trade-related payment (checking whether permission under the Foreign Exchange Act is required), such as the purpose of remittance and the names, addresses, and locations (countries) of the head offices of the remitter and the receiver?

(Note) i) It is necessary to pay attention to the point that the place of payment (location of the paying bank) is not necessarily the same as the address/location of the head office of the receiver.

ii) With regard to the address and location of the head office of a receiver, it is necessary to understand information at least about the country (region) in order to confirm that the remittance does not fall under the payment regulations if any payment regulations are in force for a specific country (region).

iii) In the case of determining whether a receiver is subject to economic sanctions such as asset freeze based on attribute information (for example, whether the name of the receiver is identical with, or similar to, the name of a person subject to economic sanctions such as asset freeze), it is necessary to understand information about the complete address/location of the head office of the receiver.

(ii) Response to payment regulations on those subject to economic sanctions
such as asset freeze

In order to confirm that a remittance is not an outgoing remittance to a person subject to economic sanctions such as asset freeze, does the Remittance Handling Financial Institution, etc. use an information system with a built-in program that automatically discontinues administrative processes pertaining to a remittance with information subject to search when similarity between the information subject to search, such as the names and addresses of the remitter and the receiver, and information in the “List of Those Subject to Sanctions” exceeds a certain pre-set ratio (hereinafter referred to as the “Automatic Checking System”)?

In addition, does the Remittance Handling Financial Institution, etc. take appropriate actions in accordance with the means of checking and criteria for checking to confirm that the remittance for which administrative processes have been discontinued by the “Automatic Checking System” is not subject to economic sanctions such as asset freeze?

(Notes) i) It is necessary for a Remittance Handling Financial Institution, etc. that uses an “Automatic Checking System” to conduct management, such as adjustment of settings of the system, to make it possible to appropriately confirm that a remittance is not to a person subject to economic sanctions such as asset freeze, in consideration of the function and characteristics of the system.

ii) A Remittance Handling Financial Institution, etc. is not necessarily required to introduce an “Automatic Checking System” where, in checking whether a customer falls under those subject to economic sanctions such as asset freeze, both a person in charge at the Sales Division or a sales branch who has received a request from a customer and a person in charge at a division in charge of remittance affairs not only conduct search for a name that exactly matches the customer’s name with the use of the “List of Those Subject to Sanctions” but also carry out appropriate confirmation, for example, by extracting similar information through search by each word and narrowing down extensive candidates one by one, with regard to all outgoing remittances.

iii) Where confirmation is carried out by an “Automatic Checking System” of another Remittance Handling Financial Institution, etc., if the Remittance Handling Financial Institution, etc. records information that has been recognized as having similarity exceeding a certain ratio by the “Automatic Checking System,” which has been obtained through provision of information, etc. from said other Remittance Handling Financial Institution, etc., and reasons, etc. for determining that said information is
(iii) Response to regulations on trade-related payment

a. Remittance of import payment

In making a remittance of import payment where regulations on trade-related payment are in force, does the Remittance Handling Financial Institution, etc. understand (including oral report by the customer; the same shall apply hereinafter) information necessary to confirm that a remittance is not an outgoing remittance subject to economic sanctions such as asset freeze (hereinafter referred to as “Necessary Information”), such as the country of destination, the purpose of remittance, the place of origin of import cargo, and the region of shipment, in consideration of the particularity of the regulations on trade-related payment?

In addition, where there is a doubt about the truth of the Necessary Information obtained from a customer or where careful checking is recognized as necessary as a remittance could violate the regulations on trade-related payment (hereinafter referred to as “Where There Is a Doubt about the Truth of the Necessary Information”), does the Remittance Handling Financial Institution, etc. request the customer to present materials that give reasons for the remittance, such as a sales contract, an import permit, and a bill of lading, to carry out checking? Incidentally, it is necessary to keep in mind that checking in cases Where There Is a Doubt about the Truth of the Necessary Information applies in the same manner to cases of receiving a request for an outgoing remittance from a customer via a phone line, the Internet, etc. (hereinafter referred to as “Phone Line, etc.”).

(Note) i) Where a Remittance Handling Financial Institution, etc. has given a customer an explanation of the content of the regulations on trade-related payment and the customer made, in response, a report to the effect that the remittance is not related to the regulations, the Remittance Handling Financial Institution, etc. shall be deemed to have understood the Necessary Information.

ii) Examples of cases Where There Is a Doubt about the Truth of the Necessary Information are as follows. However, such cases shall not be necessarily limited to the following cases.

a. Outgoing remittance for which the name of goods or the name of a
country/region/city, which is suspected of being related to the regulations on trade-related payment, is stated in the content of the remittance of a customer.

b. Outgoing remittance which is suspected of being related to the regulations on trade-related payment in light of the status of past transactions of a customer.

iii) It is indispensable to understand the Necessary Information in order to confirm that a remittance is not an outgoing remittance subject to economic sanctions such as asset freeze. However, it is necessary to keep in mind that where a Remittance Handling Financial Institution, etc. conducts customer management through understanding, etc. of the status of customers' transactions and the content of routine remittances, when it is difficult to understand the Necessary Information at the time of receiving a request for a remittance from a customer via a Phone Line, etc. as remittance data from the customer lacks some of the Necessary Information, it is possible to confirm that the remittance is not an outgoing remittance subject to economic sanctions such as asset freeze, by checking the remittance data from the customer with data understood through customer management in lieu of understanding the Necessary Information. However, when a remittance falls under cases where there is a doubt about the truth of the Necessary Information, etc., the Remittance Handling Financial Institution, etc. must request the customer to present materials that give reasons for the remittance, such as a sales contract, an import permit, and a bill of lading, and confirm that the remittance is not an outgoing remittance subject to economic sanctions such as asset freeze.

iv) In the case of receiving a request for a remittance from a customer via a Phone Line, etc., it is necessary for a system that performs automatic processing of a series of remittance procedures from receipt of the remittance data from the customer via the Phone Line, etc. to transmission thereof to have a mechanism of automatically discontinuing the remittance procedures in cases where confirmation is required, for example, where the remittance data from the customer lacks the Necessary Information and where there is a doubt about the truth of the Necessary Information.

(v) For the “region of shipment” out of the Necessary Information to confirm that a remittance is not an outgoing remittance subject to economic sanctions such as asset freeze, it is desirable to understand the name of the city to which the port of shipment belongs in the case of making a remittance of import payment to a neighboring country of a country subject to regulations. However, this shall not apply to cases where a Remittance Handling Financial Institution, etc. is aware, through customer management by
understanding the status of the customer’s transactions and the content of routine remittances, etc., that the remittance of import payment is not related to a city that requires special attention.

vi) Where a Remittance Handling Financial Institution, etc. makes continuous outgoing remittances with the same content after having the relevant customer register the receiver and the purpose of the remittance in advance, if it is difficult to confirm the regulations on trade-related payment with the customer on each occasion of outgoing remittance, the Remittance Handling Financial Institution shall be deemed to fulfill the check item if it performs the following understanding of information and confirmation. However, in the case of making outgoing remittances to a specific country on which the regulations on trade-related payment have been imposed, the Remittance Handling Financial Institution, etc. must carry out confirmation prescribed for cases Where There Is a Doubt about the Truth of the Necessary Information (refer to (iii)a. above) with the customer on each occasion of remittance.

a. In accepting an advance registration of the receiver and the purpose of remittance from a customer, a Remittance Handling Financial Institution, etc. shall introduce and instruct the content of the regulations on trade-related payment that are in force, and also understand information, such as the name of goods, the place of origin, and the region of shipment, in order to confirm that the remittance is not an outgoing remittance subject to economic sanctions such as asset freeze.

b. A Remittance Handling Financial Institution, etc. shall first voluntarily set the maximum limits of the amount of a remittance and the maximum limits of the monthly and annual amount of remittances made by one customer and then establish a monitoring system to detect remittances that exceed these limits. If an unusual remittance is detected, the Remittance Handling Financial Institution, etc. shall understand the Necessary Information anew and carry out confirmation prescribed in (iii)a. above in cases Where There Is a Doubt about the Truth of the Necessary Information.

c. Where new regulations on trade-related payment are imposed, a Remittance Handling Financial Institution, etc. shall check whether remittances violate the new regulations based on information about their existing customers which has been understood at the time of advance registration. Where it is impossible to conduct checking from information understood at the time of advance registration, the Remittance Handling Financial Institution, etc. shall check by understanding information, such as the name of goods, the place of origin, and the region of shipment,
vii) Where the regulations on trade-related payment are in force, it is necessary
to carry out checking with regard to all remittances pertaining to trade.

b. Letter of credit transactions, etc.

In making a settlement with a documentary bill of exchange with L/C (Letter of Credit) or a documentary bill of exchange without L/C while sending shipping documents, etc. through a bank in cases where the regulations on trade-related payment are in force, does the Remittance Handling Financial Institution, etc. understand the Necessary Information prior to the settlement in the same manner as in (iii)a. above, in consideration of the particularity of the regulations on trade-related payment?

In addition, Where There Is a Doubt about the Truth of the Necessary Information, does the Remittance Handling Financial Institution, etc. check an import permit or materials pertaining to the import transaction, such as a bill of lading?

Furthermore, does the Remittance Handling Financial Institution, etc. confirm that the other party to the aforementioned transaction is not subject to economic sanctions such as asset freeze in the same manner as in (ii) above?

<Remarks>

Shipping documents, etc. refer to documents required for import and export transactions in general, including invoices, bills of lading, and insurance policies.

c. Brokerage transactions

Where the regulations on trade-related payment are in force, in making a remittance pertaining to a transaction related to the buying and selling of goods involving the movement of goods between foreign states with a non-resident (hereinafter referred to as “Brokerage Transaction”), does the Remittance Handling Financial Institution, etc. carry out checking while keeping the following points in mind, in order to confirm that a remittance is not one pertaining to a transaction related to the buying and selling of goods involving the movement of goods from a third country to a country subject to the regulations or a transaction related to the buying and selling of goods exported from a country subject to regulations, which is the region of shipment, to a third country?
i. In carrying out checking with regard to an outgoing remittance pertaining to a Brokerage Transaction to a third country, does the Remittance Handling Financial Institution, etc. confirm that the place of destination of the goods pertaining to the transaction is not a country subject to the regulations and that the place of origin of the goods pertaining to the transaction or the region of shipment thereof is not a country subject to the regulations (including report by the customer)?

ii. In carrying out checking with regard to an incoming remittance pertaining to a Brokerage Transaction from a third country, does the Remittance Handling Financial Institution, etc. confirm that the place of origin of the goods pertaining to the transaction or the region of shipment thereof is not a country subject to the regulations (including report by the customer)? Incidentally, where it is difficult to carry out such checking pertaining to the relevant incoming remittance, does it take the same action as stated in proviso in (iv)b. below?

iii. In addition to i. and ii. above, where there is a doubt about the truth of the content of a remittance or where careful checking is recognized as necessary as a remittance is deemed to violate the regulations on trade-related payment, does the Remittance Handling Financial Institution, etc. request the customer to present materials that give reasons for the remittance, such as a sales contract, to carry out checking?

<Remarks>

“Transaction related to the buying and selling of goods” pertaining to a Brokerage Transaction refers to a “transaction in which a resident is both a party to a selling contract and a party to a buying contract.”

(iv) Response to the regulations on the purpose of use of funds

a. Outgoing remittance

Where the regulations on payment pertaining to the purpose of contributing to the specific activities of a specific country, etc. (hereinafter referred to as “Regulations on the Purpose of Use of Funds”) like a measure taken as of July 7, 2009 to require permission for payment, etc. that is made for the purpose of contributing to activities that may contribute to North Korea's nuclear-related plans, etc., does the Remittance Handling Financial Institution, etc. understand and check information about the receiving bank and the purpose of the remittance and other information as well as whether the remittance violates the relevant Regulations on the Purpose of Use of Funds (including report by the customer) in handling an outgoing remittance pertaining to a customer's payment (all outgoing remittances in cases where
the Regulations on the Purpose of Use of Funds are not imposed exclusively for outgoing remittances to a specific country)?

In addition to the above, where there is a doubt about the truth of the content of an outgoing remittance based on information such as a foreign receiving bank, the address of a foreign receiver, or the purpose of remittance, etc. or where a transaction is recognized as being obviously related to a specific country (those that fall under any of (i) to (vii) in Exhibit 1), does the Remittance Handling Financial Institution, etc. carry out careful checking after requesting the customer to present materials necessary to check the content, etc. thereof? In addition, does it carry out careful checking in the same manner with regard to transactions suspected of being related to a specific country based on the record of past transactions with the customer, etc. (those that fall under (viii) in Exhibit 1)?

Incidentally, where the Remittance Handling Financial Institution, etc. has introduced an Automatic Checking System, does it register words related to the Regulations on the Purpose of Use of Funds in an appropriate manner and carry out careful checking of remittances for which the relevant words have been detected? On the other hand, where it has not introduced such a system, does it check if there are words related to the Regulations on the Purpose of Use of Funds in a written remittance request and SWIFT messages, etc. pertaining to the remittance and carry out careful checking if any word is found?

(Note) i) Where the purpose of a remittance is stated in the written remittance request (including report by the customer) and careful checking is determined to be unnecessary based on other information, it is also permissible to check the purpose of the remittance. However, where it is difficult to understand the purpose of the remittance as remittance data from the customer lacks information necessary to check the purpose of the remittance, it is necessary to check the purpose by such methods as checking with information understood from the status of past transactions with the customer. On the other hand, in the case of a new customer with whom a Remittance Handling Financial Institution, etc. has never conducted any transaction, it is necessary to check the attributes of the customer to determine whether careful checking is necessary.

ii) Words related to the Regulations on the Purpose of Use of Funds refer to the names and SWIFT codes (refer to Bank Dictionary and information on SWIFT member banks) of banks of which the head office is located in a country subject to the Regulations on the Purpose of Use of Funds, the names of countries/cities subject to the regulations, and words related to
iii) For remittances that require careful checking, it is necessary to carry out
careful checking after discontinuing the relevant remittance procedures. In
addition, it is necessary to carry out careful checking for customers that are
recognized as involving risks, through appropriate customer management.

iv) Where a Remittance Handling Financial Institution, etc. makes continuous
outgoing remittances with the same content after having the customer
register the receiver and the purpose of the remittance in advance, if it is
difficult to confirm with the customer whether the outgoing remittance
violates the Regulations on the Purpose of Use of Funds on each occasion of
outgoing remittance, the Remittance Handling Financial Institution, etc.
shall be deemed to fulfill the check item if it takes actions equivalent to
those stated in (Note) vi)a-c in II.7.(1)(iii)a. However, in making an
outgoing remittance to a specific country on which the Regulations on the
Purpose of Use of Funds have been imposed, the Remittance Handling
Financial Institution, etc. must carry out checking prescribed in (iv)a.
above with the customer on each occasion of remittance.

v) Where a Remittance Handling Financial Institution, etc. receives a certain
amount of funds after having a customer register the purpose of the
remittance in advance and the customer continuously withdraws own funds
overseas for the same purpose, if it is difficult to confirm with the customer
whether the transaction violates the Regulations on the Purpose of Use of
Funds on each occasion of withdrawal of the funds overseas or receipt of
additional funds, the Remittance Handling Financial Institution, etc. shall
be deemed to fulfill the check item if it takes actions equivalent to those
stated in (Note) vi)a-c in II.7.(1)(iii)a. However, in making an outgoing
remittance to a specific country on which the Regulations on the Purpose of
Use of Funds have been imposed, the Remittance Handling Financial
Institution, etc. must carry out checking prescribed in (iv)a. above on each
occasion of transaction.

b. Incoming remittance

Where the Regulations on the Purpose of Use of Funds are in force, in
handling an incoming remittance pertaining to the receipt of payment by a
customer (all incoming remittances where the Regulations on the Purpose of
Use of Funds are imposed, not being limited to incoming remittances from a
specific country), does the Remittance Handling Financial Institution, etc.
check whether the remittance violates the Regulations on the Purpose of Use
of Funds based on the understanding of the sending bank, the purpose of the
remittance and other information (including report by the customer)?
In addition to the above, where there is a doubt about the truth of the content of an incoming remittance based on information, such as a foreign sending bank, the address of a foreign remitter, or the purpose of the remittance, etc. or where a transaction is recognized as being obviously related to a specific country (those that fall under any of (i) to (vii) in Exhibit 2), does the Remittance Handling Financial Institution, etc. carry out careful checking after requesting the customer to present materials necessary to check the content, etc. thereof? In addition, does it carry out careful checking in the same manner with regard to transactions suspected of being related to a specific country based on the record of past transactions with the customer, etc. (those that fall under (viii) in Exhibit 2)?

Incidentally, where the Remittance Handling Financial Institution, etc. has introduced an Automatic Checking System, does it register words related to the Regulations on the Purpose of Use of Funds in an appropriate manner and carry out careful checking of remittances for which any of those words has been detected? On the other hand, where it has not introduced such a system, does it check the existence of words related to the Regulations on the Purpose of Use of Funds in remittance arrival notices and SWIFT messages, etc. pertaining to incoming remittances and carry out careful checking if any of those words is found?

(Notes) i) With regard to checking pertaining to incoming remittances, it is, in principle, necessary to carry out checking in the same manner as that of outgoing remittances, as mentioned above. However, where it is difficult to do so, a Remittance Handling Financial Institution, etc. shall be deemed to fulfill the check item if it has carried out checking set forth in the proviso above.

ii) For remittances that require careful checking, it is necessary to carry out careful checking after discontinuing the relevant remittance procedures. For customers who are recognized as involving risks through appropriate customer management, it is also necessary to carry out careful checking.

(v) Record of the results of checking

Does the Remittance Handling Financial Institution, etc. record the content of the Necessary Information which it has understood to confirm that a remittance is not subject to economic sanctions such as asset freeze listed in (ii) to (iv) above as well as the content confirmed based on materials presented by the customer to the effect that the remittance is not subject to economic
sanctions such as asset freeze, the results of confirmation, and the fact of fulfillment of the confirmation obligation?

In addition, where the Remittance Handling Financial Institution, etc. has carried out confirmation using an “Automatic Checking System,” does it record information that has been recognized as having similarity exceeding a certain ratio by the “Automatic Checking System” and the reasons for determining that the information is not subject to economic sanctions such as asset freeze, with regard to remittances for which the administrative processes have been automatically discontinued?

On the other hand, where the Remittance Handling Financial Institution, etc. has carried out confirmation without using any “Automatic Checking System,” does it record the confirmed content to the effect that the remittance is not subject to economic sanctions such as asset freeze, the results of confirmation, and the fact of fulfillment of the confirmation obligation?

(Notes) i) It is necessary to maintain records for this item in writing or by an electromagnetic means, etc.

ii) Where there is a doubt about the truth of the Necessary Information or where careful checking has been carried out, it is necessary to specifically record the background of the determination that a remittance is not subject to economic sanctions such as asset freeze.

iii) With regard to the record of the fact of fulfillment of the checking obligation, the date of checking and matters sufficient to specify a person who has carried out checking, including the name of the person, are necessary.

iv) With regard to record pertaining to (iii) above, it is necessary to leave the fact of checking of the Necessary Information and the confirmed content in a written remittance request, etc.

v) With regard to the record of the confirmed content, the results of checking, and the fact of fulfillment of the checking obligation in cases where checking has been carried out without using any “Automatic Checking System,” the same content as mentioned in II.3.(3) above is necessary.

(vi) Establishment of a cooperative framework with intermediary financial institutions, etc.

Where the Remittance Handling Financial Institution, etc. receives a remittance request from a customer for whom another financial institution, etc. acts as an intermediary, does it establish a cooperative framework to fulfill the confirmation obligation without fail with the financial institution, etc. which
acts as an intermediary (hereinafter referred to as “Intermediary Financial Institution, etc.”), for example, by making it possible to acquire information, etc. necessary to confirm that the remittance is not subject to economic sanctions such as asset freeze from the Intermediary Financial Institution, etc.?

(Notes) i) The provisions on the confirmation obligation pursuant to Article 17 of the Foreign Exchange Act shall not apply to Intermediary Financial Institutions, etc. as they are not parties to exchange transactions. However, their cooperation is essential for a Remittance Handling Financial Institution, etc. to appropriately fulfill the confirmation obligation as they contact customers.

ii) With regard to a cooperative framework between an Intermediary Financial Institution, etc. and a Remittance Handling Financial Institution, etc., it is necessary to first conclude an agreement, etc. that enables the Remittance Handling Financial Institution, etc. to acquire information that is necessary to fulfill the confirmation obligation pursuant to Article 17 of the Foreign Exchange Act, such as the purpose of the remittance, the name, address, etc. of the person who requests the remittance, and the place of origin of goods pertaining to the import or Brokerage Transaction and the region of shipment thereof, from the Intermediary Financial Institution, etc. in a timely and appropriate manner, and then to monitor the status of implementation of the confirmation by the Intermediary Financial Institution, etc. on a regular basis.

<Remarks>

“Intermediating” refers to cases where a financial institution, etc. which receives a remittance request from a customer is not a party to an exchange transaction pertaining to the remittance request, for example, where remittance request forms of a Remittance Handling Financial Institution, etc. are placed at another financial institution, etc. so that said other financial institution, etc. can receive, from customers, remittance requests to the Remittance Handling Financial Institution, etc.

(2) Where a customer’s payment, etc. falls under those subject to economic sanctions such as asset freeze, does the Remittance Handling Financial Institution, etc. carry out the procedures of conducting confirmation work in an appropriate manner pursuant to the provisions of Article 6 of the Ministerial Ordinance on Foreign Exchange (Ordinance of the Ministry of Finance No. 44 of
1980) and Article 8 of the Ministerial Ordinance on Trade Relation Invisible Trade, etc. (Ordinance of the Ministry of International Trade and Industry No. 8 of 1998)?

8. Status of Response to Economic Sanctions Such as Asset Freeze at Overseas Branches of Japanese Banks

The provisions of Article 16(1), Article 21(1), or Article 25(6) of the Foreign Exchange Act also apply to the overseas branches of Japanese banks where they are parties to a payment or transaction. In addition, with regard to payment, etc. requested by a customer, the provisions on the confirmation obligation pursuant to the provisions of Article 17 of said Act also apply to them. Check whether the overseas branches of Japanese banks have a framework to comply with foreign exchange laws and regulations related to economic sanctions such as asset freeze.

In particular, keep the following points in mind.

(1) Does each overseas branch of the Japanese bank have a framework to comply with foreign exchange laws and regulations related to economic sanctions such as asset freeze, for example, by allocating an executive or an employee who has sufficient knowledge of foreign exchange laws and regulations at each overseas branch?

(2) Does each overseas branch of the Japanese bank provide training, etc. for ensuring compliance with necessary foreign exchange laws and regulations and internal provisions on administrative work, etc. so that employees, etc. including those employed overseas can conduct administrative processes pertaining to compliance with foreign exchange laws and regulations in an appropriate manner, in addition to training for compliance with local legislation, etc.?

9. Understanding of the Status of Response to Economic Sanctions Such as Asset Freeze, etc.

(1) Does the Asset Freeze Administrator receive reports on the status of response to economic sanctions such as asset freeze from related divisions and branches on each occasion of new designation of those subject to economic sanctions such as asset freeze and on an as needed basis and thereby understand the status of response in a precise and prompt manner?

(Notes) For Japanese banks, keep in mind that related divisions and branches include overseas branches.

In addition, where a division that controls overseas branches is not a division responsible for response to economic sanctions such as asset freeze, it is necessary to pay attention to whether reports pertaining to the status of response at overseas branches are delivered to the relevant responsible division in a precise and prompt manner.
(2) Does the Asset Freeze Administrator request related divisions and branches to report the existence of payment, etc. made with those subject to economic sanctions such as asset freeze, including those based on a capital transaction contract, etc. already concluded, and carry out management of such payment, etc. from the perspective of compliance with foreign exchange laws and regulations?

(3) Does the Asset Freeze Administrator verify the validity of administrative procedures and organizational frameworks intended to comply with foreign exchange laws and regulations related to economic sanctions such as asset freeze in a timely and appropriate manner and review the administrative procedures and organizational frameworks intended to comply with foreign exchange laws and regulations related to economic sanctions such as asset freeze in accordance with changes, etc. of the actual conditions of business on an as needed basis?

(4) Does the Asset Freeze Administrator report the status of compliance with foreign exchange laws and regulations related to economic sanctions such as asset freeze to the Board of Directors, etc. on an as needed basis? Does the Board of Directors, etc. carry out appropriate decision-making concerning matters such as the development of frameworks for complying with foreign exchange laws and regulations related to economic sanctions such as asset freeze based on the report?

(Note) Regarding reports to the Board of Directors, etc., an institution shall be deemed to fulfill the check item if a report concerning the overall status of legal compliance includes statements concerning the status of compliance with foreign exchange laws and regulations related to economic sanctions such as asset freeze.
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(Specific country)  

(Foreign country [third country])

(Notes) 1. “Transactions that are obviously related to a specific country” are outgoing remittances that fall under any of (i) to (vii).

2. “Transactions suspected of being related to a specific country” are outgoing remittances that are recognized as falling under (viii).
In a specific country

In a foreign country

In a specific country

In a foreign country

In a specific country

In a foreign country

In a specific country

In a foreign country

In a specific country

In a foreign country

Address of the remitter

(i) (ii) (iii) (iv) (v) (vi) (vii) (viii) (ix)

Other

(Notes) 1. “Transactions that are obviously related to a specific country” are incoming remittances that fall under any of (i) to (vii).
2. “Transactions suspected of being related to a specific country” are incoming remittances that are recognized as falling under (viii).
I. Internal Control System to Fulfill the Obligation to Identify Customers, etc.

1. Positioning of Compliance with Foreign Exchange Laws and Regulations in Relation to the Obligation to Identify Customers, etc. within the Legal Compliance System

Use “(Attachment 1) Checklist for the Overall Internal Control System for Compliance with the Foreign Exchange Act, etc.” to check whether the institution has a system to comply with foreign exchange laws and regulations (in relation to the obligation to identify customers of financial institutions, etc.) within the framework of the legal compliance system.

2. Positioning of Compliance with Foreign Exchange Laws and Regulations within the Administrative Risk Management System

Use “(Attachment 1) Checklist for the Overall Internal Control System for Compliance with the Foreign Exchange Act, etc.” to check whether the institution has a system to comply with foreign exchange laws and regulations (in relation to the obligation to identify customers of financial institutions, etc.) within the framework of the administrative risk management system.

(Note) For this check item as well as 1. above, conduct inspections based on the recognition that financial institutions, etc. must comply with foreign exchange laws and regulations related to the obligation to identify customers, etc. in assuring response to economic sanctions such as asset freeze.

3. Other

Does the institution appoint a director in charge or manager who is responsible for performing the obligation to identify customers, etc. (hereinafter referred to as “Identity Confirmation Administrator”)? Has the institution developed a system in which an Identity Confirmation Administrator coordinates among related divisions and branches (including divisions and branches in charge of response to economic sanctions such as asset freeze), including the Compliance Control Division, operational divisions, administrative divisions, and sales branches, to comply with the provisions of foreign exchange laws and regulations related to the obligation to
identify customers, etc. without fail?

(Note) Even if an institution has not appointed a responsible person by specifying compliance with foreign exchange laws and regulations related to the obligation to identify customers, etc., the institution shall be deemed to fulfill the check item if the following requirements are fulfilled.

(i) It is clear from the corporate post of a director in charge or manager that he/she is responsible for compliance with foreign exchange laws and regulations related to the obligation to identify customers, etc.

(ii) The relevant director in charge or manager actually coordinates among related divisions and branches and takes measures to develop a system to comply with foreign exchange laws and regulations related to the obligation to identify customers, etc.

II. Status of Fulfillment of the Obligation to Identify Customers, etc.

1. Transactions or Acts that Require Identity Confirmation

Does the institution obtain identity confirmation with regard to specified exchange transactions, acts such as conclusion of a contract pertaining to capital transactions, or currency exchange, while keeping the points listed in (1) to (6) below in mind, pursuant to the provisions of foreign exchange laws and regulations related to the obligation to identify customers, etc.?

(1) In committing a specified exchange transaction pertaining to a customer’s (resident) payment and receipt of payment in relation to a non-resident, does the institution obtain identity confirmation even where the specified exchange transaction is committed within Japan?

(Note) It is also permissible to respond with ordinary care with regard to whether the other party to the transaction is a non-resident (the same shall apply in (3)).

(2) Where a natural person who takes charge of a specified exchange transaction is not a customer, does the institution obtain the identity confirmation of the natural person who takes charge of the specified exchange transaction as well as that of the customer?

(3) Does the institution distinguish accounts for which identity confirmation has yet to be obtained from other accounts so as to make it possible to obtain the identity confirmation in an appropriate manner when committing a transaction that requires identity confirmation?
In particular, where a non-resident makes an incoming remittance to an account of a customer who is a resident, does the institution obtain identity confirmation at the time of paying-in?

(Note) Where it is in fact difficult to obtain identity confirmation prior to a transaction, it is permissible to obtain the identity confirmation after the beginning of the transaction, within the scope that is reasonable in terms of generally-accepted idea concerning transactions.

(4) Does the institution obtain identity confirmation while distinguishing transactions or acts, etc. subject to identity confirmation into those that come not to require identity confirmation depending on the amount criteria and those that require identity confirmation irrespective of the amount criteria?

(5) Where a customer whose identity confirmation has already been obtained is suspected of having disguised identifying matters or of pretending to be another person, does the institution obtain the identity confirmation of the customer again?

(6) Does the method of converting the amount to yen in determining payment, etc. and cash transactions subject to identity confirmation comply with the provisions of foreign exchange laws and regulations?

2. Identity Confirmation Method

Does the institution obtain the identity confirmation of customers by an appropriate method while keeping the points listed in (1) to (4) below in mind, pursuant to the provisions of foreign exchange laws and regulations related to the obligation to identify customers, etc.?

(1) Does the institution verify customer identification data using identification documents in the following categories?
   (i) Documents which complete verification of customer identification data only when presented
   (ii) Documents which require the use of any of the following methods to complete verification
       a. Presentation of other identification documents or supplementary documents
       b. Reception of originals or copies of other identification documents or supplementary documents
       c. Sending of a transfer-prohibited postal item, etc.
   (iii) Documents which require the sending of a transfer-prohibited postal item, etc. to
complete verification

(2) For identification documents with a period of validity, does the institution confirm that the documents are valid on the day of confirmation? For identification documents without a period of validity, does the institution confirm that the documents have been prepared within six months?

(3) In identity confirmation, does the institution take appropriate actions where a document presented or submitted by a customer is suspected of having been counterfeited or altered, etc. (for example, submission of a notification of suspicious transactions)?

(4) Where a financial institution, etc. outsources work, such as receipt and checking of documents presented by customers at the time of identity confirmation, it is necessary to first conclude an agreement, etc., which ensures obtainment of identity confirmation, with the outsourcee under the recognition that the financial institution, etc. bears the obligation to identify customers, etc., and then monitor the status of obtainment of identity confirmation by the outsourcee on a regular basis.

3. Method of Verification of Customer Identification Data of a Foreign National Who Does Not Have a Domicile in Japan

For a foreign national who does not have a domicile in Japan and who has the status of residence of "Temporary Visitor" (tourist, etc.) and whose domicile in the state to which the foreign national belongs cannot be verified based on statements in his/her passport, etc., does the institution verify his/her nationality and identification number by his/her passport or crew member's pocket-ledger in addition to his/her name and date of birth, pursuant to Article 7 of the Ordinance for Enforcement of the Act on Prevention of Transfer of Criminal Proceeds? In conducting the verification, does the institution verify by a seal of verification for landing, etc. that the period of stay of the foreign national does not exceed 90 days?

4. Preparation and Preservation of a Record of Identity Confirmation

Does the institution prepare and preserve a record of identity confirmation in an appropriate manner while keeping the points listed in the following (1) to (2) in mind, pursuant to the provisions of foreign exchange laws and regulations related to the obligation to identify customers, etc.?

(1) When having come to know that there is a change or addition to the identifying matters, etc. out of a record of identity confirmation, does the institution additionally include the content pertaining to the change or
addition in the record of identity confirmation?

In addition, in that case, does the institution preserve the matters already recorded in the record of identity confirmation (excluding the content pertaining to the change or addition) without deleting them?

(2) Where the institution makes a record of identity confirmation in multiple written records, is each recorded matter recorded by a method that can be linked?

In addition, does the institution preserve each written record in an appropriate manner?

5. Understanding of the Status of Fulfillment of the Obligation to Identify Customers, etc.

(1) Does the Identity Confirmation Administrator receive reports on the status of fulfillment of the obligation to identify customers, etc. from related divisions and branches on an as needed basis and thereby understand the status of response in a precise manner?

(2) Does the Identity Confirmation Administrator verify the validity of administrative procedures and organizational frameworks intended to comply with foreign exchange laws and regulations related to the obligation to identify customers, etc. in a timely and appropriate manner and review the administrative procedures and organizational frameworks intended to comply with foreign exchange laws and regulations related to the obligation to identify customers, etc. under the recognition that the fulfillment of the obligation to identify customers, etc. is a factor that is important in complying with foreign exchange laws and regulations related to economic sanctions such as asset freeze, in accordance with changes, etc. of the actual conditions of business on an as needed basis?

(3) Does the Identity Confirmation Administrator report the status of compliance with foreign exchange laws and regulations related to the obligation to identify customers, etc. to the Board of Directors, etc. on an as needed basis? Does the Board of Directors, etc. carry out appropriate decision-making concerning matters such as the development of frameworks for complying with foreign exchange laws and regulations related to the obligation to identify customers, etc. based on the report?

(Note) Regarding reports to the Board of Directors, etc., an institution shall be deemed to fulfill the check item if a report concerning the overall status of legal compliance includes statements concerning the status of fulfillment of the obligation to identify customers, etc.
(Attachment 3-2)

Checklist for Compliance with Criminal Proceeds Transfer Prevention Laws and Regulations in Relation to Verification at the Time of Transaction, etc. and Foreign Exchange Laws and Regulations in Relation to the Obligation to Identify Customers, etc. in the Currency Exchange Business of Financial Institutions, etc.

1. Internal Control System to Perform Verification at the Time of Transaction, etc.

1. Positioning of Compliance with Criminal Proceeds Transfer Prevention Laws and Regulations in Relation to Verification at the Time of Transaction, etc. and Foreign Exchange Laws and Regulations in Relation to the Obligation to Identify Customers, etc. within the Legal Compliance System

Use "(Attachment 1) Checklist for the Overall Internal Control System for Compliance with the Foreign Exchange Act, etc." to check whether the institution has a system to comply with criminal proceeds transfer prevention laws and regulations and foreign exchange laws and regulations (referred to as the "Criminal Proceeds Act, etc." in this checklist) within the framework of the legal compliance system.

2. Positioning of Compliance with the Criminal Proceeds Act, etc. within the Administrative Risk Management System

Use "(Attachment 1) Checklist for the Overall Internal Control System for Compliance with the Foreign Exchange Act, etc." to check whether the institution has a system to comply with verification at the time of transaction, etc. and obligation to identify customers, etc. of financial institutions, etc. under the Criminal Proceeds Act, etc. (referred to as "Verification at the Time of Transaction, etc." in this checklist) within the framework of the administrative risk management system.

3. Other

Does the institution appoint a director in charge or manager who is responsible for performing Verification at the Time of Transaction, etc. (hereinafter referred to as "Administrator for Verification at the Time of Transaction, etc.")? Has the institution developed a system in which an Administrator for Verification at the Time of Transaction, etc. coordinates among related divisions and branches (including divisions and branches in charge of response to economic sanctions such as asset freeze), including the Compliance Control Division, operational divisions, administrative divisions, and sales branches, to comply with the provisions of the Criminal Proceeds Act, etc. related to Verification at the Time of Transaction, etc. without fail?

Does the institution conduct a survey and risk analysis concerning criminal proceeds from transactions, preserve the records of the results (hereinafter referred to as a "Risk
Assessment by a Specified Business Operator, etc.”) and endeavor to incorporate rules into its operational system to utilize said records upon performing verification at the time of transaction, etc. while taking into account the details of the National Risk Assessment of Money Laundering and Terrorist Financing?

(Note) Even if an institution has not appointed a responsible person by specifying compliance with the Criminal Proceeds Act, etc. related to Verification at the Time of Transaction, etc., the institution shall be deemed to fulfill the check item if the following requirements are fulfilled.
(i) It is clear from the corporate post of a director in charge or manager that he/she is responsible for compliance with the Criminal Proceeds Act, etc. related to Verification at the Time of Transaction, etc.
(ii) The relevant director in charge or manager actually coordinates among related divisions and branches and takes measures to develop a system to comply with the Criminal Proceeds Act, etc. related to Verification at the Time of Transaction, etc.

II. Status of Performance of Verification at the Time of Transaction, etc.

1. Transactions or Acts that Require Verification at the Time of Transaction

Does the institution perform verification at the time of transaction with regard to currency exchange business, while keeping the points listed in (1) to (4) below in mind, pursuant to the provisions of the Criminal Proceeds Act, etc. related to Verification at the Time of Transaction, etc?

(1) Matters subject to verification at the time of transaction

In conducting a currency exchange transaction between Japanese currency and a foreign currency which amounts to more than two million yen or a sale or purchase of traveler's checks which amounts to more than two million yen (including cases where it is clear that a transaction has been intentionally divided to reduce the amount of each transaction to below two million yen; hereinafter referred to as "Currency Exchange Transaction Amounting to More than Two Million Yen") with a customer, or when the relevant transaction falls within the definition of a transaction requiring special attention (i.e. a suspicious transaction or a transaction that is conducted in a markedly different manner from that of other transactions of the same type; hereinafter the same), does the institution perform verification at the time of transaction in relation to the following matters?

(i) Customer identification data
(ii) Purpose of conducting the transaction
(iii) Occupation when the customer is a natural person, and contents of business when the
customer is a juridical person

(iv) When the customer is a juridical person, data identifying the person who has substantial control of the customer's business

(2) Transaction with a person who is in charge of the transaction

Upon conducting a Currency Exchange Transaction Amounting to More than Two Million Yen or a transaction requiring special attention, if a natural person who is not a customer is a person in charge of the transaction, does the institution perform verification of the customer identification data of the natural person who is in charge of the currency exchange transaction in addition to that of the customer?

Incidentally, does the institution verify that the natural person who is in charge of the transaction is doing so on behalf of the customer (Article 12, paragraph (4) of the Ordinance for Enforcement of the Act on Prevention of Transfer of Criminal Proceeds)?

(3) Transactions for which strict customer due diligence is deemed to be particularly necessary

(High-risk transactions)

In conducting a currency exchange transaction that falls under any of the following with a customer, does the institution obtain appropriate verification based on the recognition that the currency exchange transaction is one for which strict customer due diligence is deemed to be particularly necessary?

(i) Currency exchange transactions in which a transaction partner is suspected of disguising himself/herself as the customer or representative person, etc. pertaining to the verification at the time of the relevant transaction conducted upon the conclusion of a contract, etc. (transactions while disguising)
(ii) Currency exchange transactions with a customer who is suspected to have given, on the occasion of the verification at the time of contract, false information pertaining to said verification at the time of contract (false transactions)
(iii) Currency Exchange Transactions Amounting to More than Two Million Yen with a customer who resides or is located in Iran or North Korea (transactions with a customer in Iran or North Korea)
(iv) Currency Exchange Transactions Amounting to More than Two Million Yen with a politically exposed person, etc. of a foreign country (transaction with a foreign PEP, etc.)

(Note) The transactions listed in (i) and (ii) above include those based on a continuous contract, etc. concluded between a specified business operator and a customer (currency exchange transaction accompanying withdrawal from an account based on a deposit contract, etc.) and do not include single isolated currency exchange transactions with one-shot customers.
(4) Method of conversion

Does the method of converting the amount to yen in determining currency exchange transactions subject to verification at the time of transaction comply with the provisions of Article 28 of the Ordinance for Enforcement of the Act on Prevention of Transfer of Criminal Proceeds?

2. Method of Verification of Confirming Customer Identification Data

Does the institution conduct verification of customer identification data by an appropriate method while keeping the points listed in (1) to (4) below in mind, pursuant to the provisions of the Criminal Proceeds Act, etc. related to Verification at the Time of Transaction, etc.?

(1) Does the institution verify customer identification data using identification documents in the following categories?
   (i) Documents which complete verification of customer identification data only when presented
   (ii) Documents which require the use of any of the following methods to complete verification
      a. Presentation of other identification documents or supplementary documents
      b. Reception of originals or copies of other identification documents or supplementary documents
      c. Sending of a transfer-prohibited postal item, etc.
   (iii) Documents which require the sending of a transfer-prohibited postal item, etc. to complete verification

(2) For identification documents with a period of validity, does the institution confirm that the documents are valid on the day of confirmation? For identification documents without a period of validity, does the institution confirm that the documents have been prepared within six months?

(3) In conducting verification of customer identification data, does the institution take appropriate actions where a document presented or submitted by a customer is suspected of having been counterfeited or altered, etc. (for example, submission of reporting of suspicious transactions)?

(4) Where a financial institution, etc. outsources work, such as receipt and checking of documents presented by customers at the time of verification of customer identification data, it is necessary to first conclude an agreement, etc., which ensures verification of customer identification data, with the outsourcee under the recognition that the financial institution, etc. bears the obligation to conduct verification of customer identification data,
and then monitor the status of verification of customer identification data by the outsourcee on a regular basis.

3. Method of Verification of Customer Identification Data of a Foreign National Who Does Not Have a Domicile in Japan

For a foreign national who does not have a domicile in Japan and who has the status of residence of “Temporary Visitor” (tourist, etc.) and whose domicile in the state to which the foreign national belongs cannot be verified based on statements in his/her passport, etc., does the institution verify his/her nationality and identification number by his/her passport or crew member's pocket-ledger in addition to his/her name and date of birth, pursuant to Article 8 of the Ordinance for Enforcement of the Act on Prevention of Transfer of Criminal Proceeds? In conducting the verification, does the institution verify by a seal of verification for landing, etc. that the period of stay of the foreign national does not exceed 90 days?

4. Method of Verification of Purpose of Conducting a Transaction

Does the institution conduct verification of the purpose of conducting a transaction by having the customer give information, while referring to 1 "Types of Purposes of Conducting a Transaction" in Attachment (Article 9 of the Ordinance for Enforcement of the Act on Prevention of Transfer of Criminal Proceeds)?

5. Methods of Verification of Occupation and Contents of Business

(1) For a customer who is a natural person or an association or foundation without juridical personality, does the institution conduct verification of the occupation or contents of business of the customer by having the customer or representative person, etc. give information, while referring to 2 "Types of Occupations or Contents of Business" in Attachment (Article 10, item (i) of the Ordinance for Enforcement of the Act on Prevention of Transfer of Criminal Proceeds)?

(2) For a customer who is a juridical person (excluding listed companies, etc.), does the institution verify any of the documents listed in Article 10, item (ii) of the Ordinance for Enforcement of the Act on Prevention of Transfer of Criminal Proceeds or a copy thereof in conducting the verification of the contents of business?

(3) For a customer who is a juridical person having its head office or principal office in a foreign state, does the institution verify any of the documents listed in Article 10, item (iii) of the Ordinance for Enforcement of the Act on Prevention of Transfer of Criminal Proceeds or a copy thereof in conducting verification of the contents of business?

6. Method of Verification of a Person Who Has Substantial Control of a Juridical Person

Does the institution conduct verification of a person who has substantial control of a
juridical person by having the representative, etc. of the customer provide said person’s identification data (Article 11, paragraphs (1) and (2) of the Ordinance for Enforcement of the Act on Prevention of Transfer of Criminal Proceeds)?

7. Method of Verification of High-Risk Transaction

(1) Does the institution conduct verification of the customer identification data of a customer in relation to a transaction while disguising or a false transaction by a method using additional identification documents or supplementary documents (additional method of verification) in addition to the method of verification for ordinary transactions (ordinary method of verification)?

In this case, does the institution conduct verification by using at least one of the identification documents or supplementary documents other than the identification documents or supplementary documents used for the verification at the time of the relevant transaction (verification at the time of concluding a contract) (Article 14, paragraph (1) of the Ordinance for Enforcement of the Act on Prevention of Transfer of Criminal Proceeds)?

(2) Does the institution conduct verification of the customer identification data in relation to a transaction with a customer in Iran or North Korea or a foreign PEP, etc. by a method which uses additional identification documents or supplementary documents (additional verification method) in addition to the verification method for ordinary transactions (ordinary verification method) (Article 14, paragraph (1) of the Ordinance for Enforcement of the Act on Prevention of Transfer of Criminal Proceeds)?

(3) Does the institution conduct verification of a person who has substantial control of a juridical person in relation to a transaction while disguising a false transaction, or a transaction with a customer in Iran or North Korea or a foreign PEP, etc. by referring to a shareholder registry, securities report, etc., certificate of registered matters, or documents issued by a public agency, etc. according to the categories of juridical persons, and also have the representative person, etc. of the customer provide information (Article 14, paragraph (3) of the Ordinance for Enforcement of the Act on Prevention of Transfer of Criminal Proceeds)?

(4) To detect a disguised false transaction or disguised transaction with a customer in Iran or North Korea or with a foreign PEP, etc. which amounts to more than two million yen, does the institution conduct verification of the status of the assets and income using one or more documents or copies thereof according to the categories of the customer (Article 14, paragraph (4) of the Ordinance for Enforcement of the Act on Prevention of Transfer of Criminal Proceeds)?
8. Preparation and Preservation of Verification Records

Does the institution prepare and preserve verification records in an appropriate manner while keeping the points listed in (1) to (3) below in mind, pursuant to the provisions of the Criminal Proceeds Act, etc. related to Verification at the Time of Transaction, etc.? Does the institution endeavor to continuously scrutinize verification records while taking into account the Risk Assessment by a Specified Business Operator, etc.?

(1) When presented with identification documents or supplementary documents for conducting the verification of customer identification data, does the institution record the date and time of the presentation (only the date if the institution attaches copies of the identification documents to verification records and preserves them with said records for seven years) (Article 20, paragraph (1), item (iii) of the Ordinance for Enforcement of the Act on Prevention of Transfer of Criminal Proceeds)?

(2) When having become aware of a change or addition to customer identification data, etc. in verification records, does the institution attach a supplementary note of the content of the change or addition to the verification records (Article 20, paragraph (3) of the Ordinance for Enforcement of the Act on Prevention of Transfer of Criminal Proceeds)?

In addition, in that case, does the institution preserve the matters already recorded in the verification records (excluding the content of the change or addition) without deleting them?

(3) Where the institution makes verification records in multiple written records, is each recorded matter recorded by a method that can be linked? In addition, does the institution

(Note)

The methods of verification mentioned in (1) are as follows.

(i) The ordinary method of verification is a method of verification through presentation of identification documents or supplementary documents, or sending of identification documents or supplementary documents or copies thereof.

(ii) The additional method of verification is a method of verification through presentation of identification documents or supplementary documents other than those used for the ordinary method of verification, or sending of such identification documents or supplementary documents or copies thereof.

The method of verification of the status of assets and income by using "one or two or more" documents means conducting verification by another document if it is impossible to determine the status of assets and income by one document though verification is completed by one document if it is possible to determine the status of assets and income by the document.
preserve each written record in an appropriate manner?

9. **Understanding of the Status of Performance of Verification at the Time of Transaction, etc.**

(1) Does the Administrator for Verification at the Time of Transaction, etc. receive reports on the status of performance of Verification at the Time of Transaction, etc. from related divisions and branches on an as needed basis and thereby understand the status of response in a precise manner?

(2) Does the Administrator for Verification at the Time of Transaction, etc. verify the validity of administrative procedures and organizational frameworks intended to comply with the Criminal Proceeds Act, etc. related to Verification at the Time of Transaction, etc. in a timely and appropriate manner and review the administrative procedures and organizational frameworks intended to comply with the Criminal Proceeds Act, etc. related to Verification at the Time of Transaction, etc. under the recognition that the performance of Verification at the Time of Transaction, etc. is a factor that is important in complying with the Criminal Proceeds Act, etc. in accordance with changes, etc. of the actual conditions of business on an as needed basis?

(3) Does the Administrator for Verification at the Time of Transaction, etc. report the status of compliance with the Criminal Proceeds Act, etc. related to Verification at the Time of Transaction, etc. to the Board of Directors, etc. on an as needed basis? Does the Board of Directors, etc. carry out appropriate decision-making concerning matters such as the development of frameworks for complying with the Criminal Proceeds Act, etc. related to Verification at the Time of Transaction, etc. based on the report?

(Note) Regarding reports to the Board of Directors, etc., an institution shall be deemed to fulfill the check item if a report concerning the overall status of legal compliance includes statements concerning the status of fulfillment of the obligation to conduct verification at the time of transaction.

10. **Other Matters to Keep in Mind**

(1) It is desirable to refer to the matters to keep in mind stated in Attachment in performing Verification at the Time of Transaction, etc. stated above.

(2) An Administrator for Verification at the Time of Transaction, etc. or a person with authority delegated by the Administrator for Verification at the Time of Transaction should preferably have discretion to approve or reject high-risk transactions and other transactions requiring special attention and maintain records of said approval or rejection.
Matters to Keep in Mind Concerning the Act on Prevention of Transfer of Criminal Proceeds

This Attachment indicates the matters that should be kept in mind when a person who conducts currency exchange business (hereinafter referred to as "Currency Exchange Operator") listed in Article 2, paragraph (2), item (xxxvii) of the "Act on Prevention of Transfer of Criminal Proceeds" (hereinafter referred to as the "Act") fulfills the obligation of verification prescribed in Article 4 of the Act, the obligation to report suspicious transactions prescribed in Article 8 of the Act, etc.

Handling different from that indicated in this Attachment is not precluded, according to individual circumstances within the scope of laws and regulations, etc.

1. Types of Purposes of Conducting a Transaction

The following table shows examples of types which should be referred to when a Currency Exchange Operator conducts verification of the "purpose of conducting a transaction" in relation to a transaction listed in Article 7, paragraph (1), item (i) (w) of the "Order for Enforcement of the Act on Prevention of Transfer of Criminal Proceeds" pursuant to the provisions of Article 4, paragraph (1) or (2) of the Act (multiple selection allowed).

As these types are mere examples, there is no harm in each Currency Exchange Operator conducting verification of the purpose of conducting a transaction based on types that are different from those indicated below according to the content of the transaction and the actual conditions of individual operations and transactions, etc. while referring to these types.

<table>
<thead>
<tr>
<th>Currency exchange business</th>
<th>Natural person</th>
<th>Juridical person / association or foundation without juridical personality</th>
</tr>
</thead>
<tbody>
<tr>
<td>□ Funds related to travel/business trip</td>
<td></td>
<td>□ Funds related to travel/business trip</td>
</tr>
<tr>
<td>□ Expenses for studying abroad</td>
<td></td>
<td>□ Funds for settlement</td>
</tr>
<tr>
<td>□ Foreign currency asset management</td>
<td></td>
<td>□ Expenses for paying wages</td>
</tr>
<tr>
<td>□ Funds for settlement</td>
<td></td>
<td>□ Foreign currency asset management</td>
</tr>
<tr>
<td>□ Other ( )</td>
<td></td>
<td>□ Other ( )</td>
</tr>
</tbody>
</table>

2. Types of Occupations and Contents of Business

The following table shows examples of types which should be referred to when a Currency Exchange Operator conducts verification of the "occupation" or "contents of business" pursuant to the provisions of Article 4, paragraph (1) or (2) of the Act (multiple selection allowed).

As these types are mere examples, there is no harm in each Currency Exchange Operator conducting verification of the occupation or contents of business based on types that are different from those indicated below according to the actual conditions of individual operations and
transactions, etc. while referring to these types.

<table>
<thead>
<tr>
<th>Occupation (Natural person)</th>
<th>Contents of business (Juridical person / association or foundation without juridical personality)</th>
</tr>
</thead>
<tbody>
<tr>
<td>□ Corporate officer / officer of a body</td>
<td>□ Agriculture / forestry /fishey</td>
</tr>
<tr>
<td>□ Company employee / personnel of a body</td>
<td>□ Manufacturing business</td>
</tr>
<tr>
<td>□ Public officer</td>
<td>□ Construction business</td>
</tr>
<tr>
<td>□ Sole proprietor / self-owned business</td>
<td>□ Information and telecommunications business</td>
</tr>
<tr>
<td>□ Part-timer / dispatched employee / contract employee</td>
<td>□ Transport business</td>
</tr>
<tr>
<td>□ Homemaker</td>
<td>□ Wholesale / retail business</td>
</tr>
<tr>
<td>□ Student</td>
<td>□ Financial / insurance business</td>
</tr>
<tr>
<td>□ Retired / unemployed person</td>
<td>□ Real estate business</td>
</tr>
<tr>
<td>□ Other (</td>
<td>□ Service business</td>
</tr>
</tbody>
</table>

3. Measures to Appropriately Conduct Verification at the Time of Transaction, Preservation of Transaction Records, etc., and Reporting of Suspicious Transactions, etc.

The following shows examples of possible measures to appropriately conduct verification at the time of transaction, preservation of transaction records, etc., and reporting of suspicious transactions, etc. in relation to the "development of systems" prescribed in Article 11 of the Act with the aim of further assuring measures against money laundering and provision of terrorist funds (hereinafter referred to as "Money Laundering, etc.") by Japanese Currency Exchange Operators in light of international request for measures against Money Laundering, etc.

As these measures are mere examples, there is no harm in each Currency Exchange Operator taking more appropriate measures according to the actual conditions of individual operations and transactions and the degree of likelihood of being used for Money Laundering, etc. while referring to these measures.

(1) Measures for transactions conducted with a customer, etc. before completion of verification at the time of transaction

Currency Exchange Operators shall pay sufficient attention to transactions conducted with a customer, etc. before completion of verification at the time of transaction in light of the fact that a relevant transaction may be used for Money Laundering, etc. during the period before completion of the verification at the time of transaction. For example, Currency Exchange Operators shall impose more limitations on the whole or part of the transaction than ordinary transactions or shall record information concerning the customer, etc.
(2) Measures for currency exchange transactions which amount to two million yen or less

Currency Exchange Operators shall also pay sufficient attention to currency exchange transactions which amount to two million yen or less in light of the fact that a transaction amounting to slightly below 2 million yen or a transaction intentionally divided to reduce the amount of each transaction to below two million yen may be used for Money Laundering, etc.

(3) Measures for non-face-to-face transactions

Currency Exchange Operators shall pay sufficient attention to non-face-to-face transactions in light of the fact that the customer, etc. of a relevant transaction may be disguising, giving false information, etc. For example, Currency Exchange Operators shall be careful about determination of identity between the customer, etc. and the other party of the transaction by verifying an additional one kind of identification document or a document, etc. other than identification documents.

(4) Measures for face-to-face transactions

Currency Exchange Operators shall also pay sufficient attention to face-to-face transactions in light of the fact that, in a transaction in which identification documents with no photograph attached are used in verification at the time of transaction, the customer, etc. of the transaction may be disguising or giving false information, etc.

(5) Continuous monitoring of customers, etc.

In addition to the above, Currency Exchange Operators shall pay sufficient attention to ensuring that they precisely understand the status of a transaction using continuously updated information on matters subject to verification at the time of transaction (while fully utilizing the Risk Assessment by a Specified Business Operator, etc. if it is prepared), in order to determine whether the customer, etc. is suspected of giving false information concerning matters subject to verification at the time of transaction that has already been verified (for example, by declaring a false purpose for the transaction to conceal its actual purpose (e.g. Money Laundering)).
(Attachment 4)  
Checklist for Compliance with Foreign Exchange Laws and Regulations in Relation to the Accounting, etc. of the Special International Financial Transactions Account

I. Internal Control System to Comply with Foreign Exchange Laws and Regulations Related to the Accounting, etc. of the Special International Financial Transactions Account

1. Positioning of Compliance with Foreign Exchange Laws and Regulations Related to the Accounting, etc. of the Special International Financial Transactions Account within the Legal Compliance System
   Use “(Attachment 1) Checklist for the Overall Internal Control System for Compliance with the Foreign Exchange Act, etc.” to check whether the institution has a system to comply with foreign exchange laws and regulations (in relation to the Special International Financial Transactions Account) within the framework of the legal compliance system.

2. Positioning of Compliance with Foreign Exchange Laws and Regulations within the Administrative Risk Management System
   Use “(Attachment 1) Checklist for the Overall Internal Control System for Compliance with the Foreign Exchange Act, etc.” to check whether the institution has a system to comply with foreign exchange laws and regulations (in relation to the Special International Financial Transactions Account) within the framework of the administrative risk management system.

3. Other
   Does the institution appoint a director in charge or manager who is responsible for complying with foreign exchange laws and regulations related to the accounting, etc. of the Special International Financial Transactions Account (hereinafter referred to as “Offshore Account Administrator”)? Has the institution developed a system in which an Offshore Account Administrator coordinates among related divisions and branches, including the Compliance Control Division, operational divisions, administrative divisions, and sales branches, to comply with the provisions of foreign exchange laws and regulations related to the accounting, etc. of the Special International Financial Transactions Account without fail?
II. Status of Compliance with Foreign Exchange Laws and Regulations Related to the Accounting, etc. of the Special International Financial Transactions Account

1. Eligibility of Transactions Whose Accounting Is Settled in the Special International Financial Transactions Account

(1) Where a transaction whose accounting is settled in the Special International Financial Transactions Account is a transaction pertaining to the occurrence, etc. of claims based on a deposit contract, is the deposit contract an eligible deposit contract whose accounting can be settled in the Special International Financial Transactions Account?

(2) Where a transaction whose accounting is settled in the Special International Financial Transactions Account is a transaction pertaining to the occurrence, etc. of claims based on a money loan contract, is the money loan contract an eligible money loan contract whose accounting can be settled in the Special International Financial Transactions Account?

(3) Where a transaction whose accounting is settled in the Special International Financial Transactions Account is an acquisition or transfer of securities issued by a non-resident, is the acquisition or transfer of securities an eligible acquisition or transfer of securities whose accounting can be settled in the Special International Financial Transactions Account?

2. Confirmation of the Other Party of a Transaction, etc.

(1) Where the other party of a transaction is a non-resident, does the institution

(Note) Even if an institution has not appointed a responsible person by specifying compliance with foreign exchange laws and regulations related to the accounting, etc., of the Special International Financial Transactions Account, the institution shall be deemed to fulfill the check item if the following requirements are fulfilled.

(i) It is clear from the corporate post of a director in charge or manager that he/she is responsible for compliance with foreign exchange laws and regulations related to the accounting, etc. of the Special International Financial Transactions Account.

(ii) The relevant director in charge or manager actually coordinates among related divisions and branches and takes measures to develop a system to comply with foreign exchange laws and regulations related to the accounting, etc. of the Special International Financial Transactions Account.
carry out checking procedures as specified by the Ministerial Ordinance on Foreign Exchange in an appropriate manner with regard to the eligibility of the non-resident?

(2) Where the other party of a transaction is a bank, etc. which has the Special International Financial Transactions Account, do the institution and the bank, etc. mutually confirm that the accounting of the transaction is settled in the Special International Financial Transactions Account?

3. Confirmation of the Purpose of Use of Funds Pertaining to Money Loan

Does the institution carry out checking procedures as specified by the Ministerial Ordinance on Foreign Exchange in an appropriate manner with regard to the use of funds pertaining to money loan to a non-resident whose accounting is settled in the Special International Financial Transactions Account in a foreign state?

4. Status of Keeping Books and Documents Pertaining to Transactions

Does the institution keep books and documents that satisfy the requirements specified by the Ministerial Ordinance on Foreign Exchange with regard to transactions whose accounting is settled in the Special International Financial Transactions Account?

5. Status of Compliance with the Accounting Criteria

(1) Does the institution settle claims and obligations pertaining to transactions or acts whose accounting is settled in the Special International Financial Transactions Account by a method through other accounts?

(2) Does the institution process the accounting pertaining to transfer of funds between the Special International Financial Transactions Account and other accounts in an appropriate manner while keeping the points listed in (i) and (ii) below in mind?

(i) Whether the amount pertaining to transfer of funds from the Special International Financial Transactions Account to other accounts does not exceed the maximum limits upon termination everyday

(ii) Whether the total of the amount pertaining to transfer of funds from the Special International Financial Transactions Account to other accounts in a month does not exceed the total of the amount pertaining to transfer of funds from other accounts to the Special International Financial Transactions Account.
(3) Does the institution process the accounting pertaining to shift from other accounts to the Special International Financial Transactions Account in an appropriate manner while keeping the points listed in (i) to (iv) below in mind (limited to inspections on banks, etc. that have newly opened a Special International Financial Transactions Account)?

(i) Is the shift conducted during the period from the date of start of accounting related to the Special International Financial Transactions Account to the last day of the month following the month in which said date is included?

(ii) Is the amount pertaining to the operation of funds and the amount pertaining to the procurement of funds, which are shifted to the Special International Financial Transactions Account, the same as of the last day of the period during which the shift is possible?

(iii) For the operation and procurement of funds pertaining to transactions or acts which have been shifted, were the transactions or acts started prior to the date on which the Special International Financial Transactions Account was approved?

(iv) Does the institution arrange the date of shift and other necessary items with respect to each shift?

(4) Does the institution use an appropriate exchange rate for the accounting of the Special International Financial Transactions Account?

6. Understanding of the Status of Compliance with Foreign Exchange Laws and Regulations Related to the Accounting, etc. of the Special International Financial Transactions Account

(1) Does the Offshore Accounting Administrator receive reports on the status of compliance with foreign exchange laws and regulations related to the accounting, etc. of the Special International Financial Transactions Account from related divisions and branches on an as needed basis and thereby accurately understand the status of compliance?

(2) Does the Offshore Accounting Administrator verify the validity of administrative procedures and organizational frameworks intended to comply with foreign exchange laws and regulations related to the accounting, etc. of the
Special International Financial Transactions Account in a timely and appropriate manner and review the administrative procedures and organizational frameworks intended to comply with foreign exchange laws and regulations related to the accounting, etc. of the Special International Financial Transactions Account in accordance with changes, etc. of the actual conditions of business on an as needed basis?

(3) Does the Offshore Account Administrator report the status of compliance with foreign exchange laws and regulations related to the accounting, etc. of the Special International Financial Transactions Account to the Board of Directors, etc. on an as needed basis? Does the Board of Directors, etc. carry out appropriate decision-making concerning matters such as the development of frameworks for complying with foreign exchange laws and regulations related to the accounting, etc. of the Special International Financial Transactions Account based on the report?

(Note) Regarding reports to the Board of Directors, etc., an institution shall be deemed to fulfill the check item if a report concerning the overall status of legal compliance includes statements concerning the status of compliance with foreign exchange laws and regulations related to the accounting, etc. of the Special International Financial Transactions Account.
(Attachment 5)

Checklist for Compliance with Criminal Proceeds Transfer Prevention Laws and Regulations in Relation to the Obligation to Give Notification of Suspicious Transactions, etc. Pertaining to Currency Exchange Business

[Purpose of notification of suspicious transactions]

Notification of suspicious transaction prevents criminal proceeds, etc. from being transferred using specified business operators (meaning business operators subject to the Criminal Proceeds Transfer Prevention Act; the same shall apply hereinafter) through notification of information about transactions that are determined to be suspected of being related to criminal proceeds, etc. in comprehensive consideration of the attributes of customers, the circumstances at the time of transactions, and other specific information that specified business operators have, on the premise of general knowledge/experience of specific business operators.

I. Internal Control System to Fulfill the Obligation to Give Notification of Suspicious Transactions

1. Positioning of Compliance with Criminal Proceeds Transfer Prevention Laws and Regulations within the Legal Compliance System

   Use “(Attachment 1) Checklist for the Overall Internal Control System for Compliance with the Foreign Exchange Act, etc.” to check whether a specified business operator has a system to comply with criminal proceeds transfer prevention laws and regulations (in relation to the obligation to give notification of suspicious transactions) within the framework of the legal compliance system.

2. Positioning of Compliance with Criminal Proceeds Transfer Prevention Laws and Regulations within the Administrative Risk Management System

   Use “(Attachment 1) Checklist for the Overall Internal Control System for Compliance with the Foreign Exchange Act, etc.” to check whether a specified business operator has a system to comply with criminal proceeds transfer prevention laws and regulations (in relation to the obligation to give notification of suspicious transactions) within the framework of the administrative risk management system.

   In particular, keep the following points in mind.

   Has a specified business operator prepared and disseminated to a person in charge of transactions (meaning a person in charge who commits transactions with customers; the same shall apply hereinafter) a specific administrative procedure manual for notification of suspicious transactions?
An administrative procedure manual must include, in particular, the following content.

(1) A reference casebook depicting examples of suspicious transactions to be used to determine whether an individual transaction falls under suspicious transactions

(Notes) (i) Cases that require special attention in terms of a reference casebook are as listed in the exhibit of this checklist, titled “Reference Cases of Suspicious Transactions Pertaining to Buying and Selling of Foreign Currency or Traveler’s Checks,” and a reference casebook must include these cases in an appropriate manner. In addition, even cases that are not included in “Reference Cases of Suspicious Transactions Pertaining to Buying and Selling of Foreign Currency or Traveler’s Checks” must be included in a reference casebook if they are determined to fall under suspicious transactions based on experience, etc. in currency exchange business.

(ii) Keep in mind that it is necessary to immediately review a reference casebook if a suspicious transaction that does not match the reference casebook is detected. In addition, also keep in mind that it is necessary to review a reference casebook where any change has been made to the aforementioned “Reference Cases of Suspicious Transactions Pertaining to Buying and Selling of Foreign Currency or Traveler’s Checks.”

(2) Items and methods for determining whether the relevant transaction constitutes a suspicious transaction (Articles 26 and 27 of the Ordinance for Enforcement of the Act on Prevention of Transfer of Criminal Proceeds)

(3) Administrative work procedures that the person in charge of transactions should conduct to give notification of suspicious transactions, such as the communication system in cases where a suspicious transaction has been detected or where a transaction for which it is not clear whether it falls under suspicious transactions has been detected

(4) A method of disseminating to the person in charge of transactions the information about transactions that require special attention, including information about transactions for which the specified business operator has given a notification of suspicious transactions

3. Other
Does the specified business operator appoint a director in charge or manager who is responsible for fulfilling the obligation to give notification of suspicious transactions (hereinafter referred to as “Suspicious Transaction Notification Administrator”)? Has the specified business operator developed a system in which a Suspicious Transaction Notification Administrator coordinates among related divisions and branches, including the Compliance Control Division, operational divisions, administrative divisions, and sales branches, to comply with the provisions of criminal proceeds transfer prevention laws and regulations related to the obligation to give notification of suspicious transactions without fail? Does the specified business operator endeavor to incorporate rules into its operational system to utilize the Risk Assessment by a Specified Business Operator, etc. when considering the necessity to provide notification of suspicious transactions?

(Note) Even if a specified business operator has not appointed a responsible person by specifying compliance with criminal proceeds transfer prevention laws and regulations related to the obligation to give notification of suspicious transactions, the specified business operator shall be deemed to fulfill the check item if the following requirements are fulfilled

(i) It is clear from the corporate post of a director in charge or manager that he/she is responsible for compliance with criminal proceeds transfer prevention laws and regulations related to the obligation to give notification of suspicious transactions.

(ii) The relevant director in charge or manager actually coordinates among related divisions and branches and takes measures to develop a system to comply with criminal proceeds transfer prevention laws and regulations related to the obligation to give notification of suspicious transactions.

II. Status of Fulfillment of the Obligation to Give Notification of Suspicious Transactions

1. Notification of Suspicious Transactions

Check whether the specified business operator gives notification of suspicious transactions pertaining to currency exchange business pursuant to the provisions of criminal proceeds transfer prevention laws and regulations related to the notification of suspicious transactions without fail.

In particular, keep the following point in mind.
(1) Does the specified business operator give, without fail, notification of suspicious transactions for transactions which the specified business operator has determined to fall under suspicious transactions based on the reference case book mentioned in I.2.(1) above and information about the transactions? In addition, has the specified business operator developed the following framework to give notification of suspicious transactions without fail?

(i) Notification of suspicious transactions is not restricted by the transaction amount. In addition, there are cases where a transaction is determined to fall under suspicious transactions in consideration of the status of past currency exchange transactions as well as the transaction amount.

In order for a specified business operator to give notification of suspicious transactions without fail, it is necessary to ask customers to cooperatively report their names and information that contributes to identifying the customers, when committing currency exchange for the amount not subject to verification at the time of transaction, in addition to verification at the time of transaction of customers pertaining to currency exchange exceeding the amount equivalent to 2,000,000 yen and a transaction requiring special attention.

(Note) a. Examples of the aforementioned “information that contributes to identifying the customers” are as follows. A specified business operator shall be deemed to fulfill the check item if it has asked customers to cooperatively report any of the following or “information that contributes to identifying the customers” equivalent thereto.

i) Address or location
ii) Telephone number
iii) Nationality and passport number
iv) Code and number of a driver’s license (for those issued in a foreign state, including the name of the country, region, etc. where the driver’s license was issued)
vi) Flight number of an airplane (limited to currency exchange at the airport)

b. It is desirable that the aforementioned actions are taken for currency exchange exceeding the amount equivalent to 100,000 yen.

In addition, it is desirable that a specified business operator records the names of customers and information that contributes to identifying the customers, which have been reported by the customers, and preserves them for a period longer than six months from the date of the transactions.
(ii) It is necessary to confirm whether the relevant transaction constitutes a suspicious transaction in accordance with the items and methods prescribed in criminal proceeds transfer prevention laws and regulations, while taking into account the reference casebook on suspicious transactions and available information on the relevant transaction (Articles 26 and 27 of the Ordinance for Enforcement of the Act on Prevention of Transfer of Criminal Proceeds).

(iii) Where a transaction for which it is impossible to determine whether it is necessary to give notification of suspicious transactions has been detected based on a reference casebook depicting examples of suspicious transactions and information about the transaction, it is necessary to confirm the information that is necessary for determining whether the relevant currency exchange falls under suspicious transactions. Where a specified business operator has determined that the transaction does not fall under suspicious transactions, it is necessary for the specified business operator to record the content of confirmation and preserve it for the period specified by the specified business operator as the period necessary to give notification of suspicious transactions.

Incidentally, it is desirable that the period of preservation is longer than six months from the date of the transaction.

(2) Where the specified business operator has outsourced part of administrative work pertaining to currency exchange committed with customers to another person (hereinafter referred to as “Outsourcer”), does the Outsourcer itself determine whether an individual transaction falls under suspicious transactions in an appropriate manner?

In addition, does the specified business operator conclude an agreement, etc. that enables the specified business operator to acquire information that is necessary to fulfill the obligation to give notification of suspicious transactions with the Outsourcer, under the recognition that the specified business operator, which is the outsourcer, is a party to the transaction, and monitor the status of response taken by the Outsourcer in relation to the notification of suspicious transactions on a regular basis?

2. Understanding of the Status of Fulfillment of the Obligation to Give Notification of Suspicious Transactions

(1) Does the Suspicious Transaction Notification Administrator receive reports on the existence of suspicious transactions from related divisions and branches on an as needed basis and thereby accurately understand the status of response?
(2) Does the Suspicious Transaction Notification Administrator verify the validity of administrative procedures and organizational frameworks intended to comply with criminal proceeds transfer prevention laws and regulations related to the notification of suspicious transactions in a timely and appropriate manner and review them on an as needed basis?

(3) Does the Suspicious Transaction Notification Administrator report the status of compliance with criminal proceeds transfer prevention laws and regulations related to the notification of suspicious transactions to the Board of Directors, etc. on an as needed basis? Does the Board of Directors, etc. carry out appropriate decision-making concerning the development of frameworks for complying with criminal proceeds transfer prevention laws and regulations related to the notification of suspicious transactions based on the report?

III. Other

1. Specified Business Operator's Duty of Confidentiality Pertaining to the Notification of Suspicious Transactions

Do the executives and employees of the specified business operator recognize without fail that they shall not leak the fact that the specified business operator intends to give or has given a notification of suspicious transactions, to the customer, etc. pertaining to the notification of suspicious transactions or persons involved therein?

2. Measures to be Taken Regarding High Risk Transactions

A Suspicious Transaction Notification Administrator or a person with authority delegated by a Suspicious Transaction Notification Administrator should confirm whether high-risk transactions and other transactions requiring special attention constitute suspicious transactions and should preferably maintain detailed records of said confirmation. Additionally, a Suspicious Transaction Notification Administrator or a person with authority delegated by the Suspicious Transaction Notification Administrator should preferably have discretion to approve or reject transactions which appear to be highly risky and maintain records of said approval or rejection.
Reference Cases of Suspicious Transactions Pertaining to Buying and Selling of Foreign Currency or Traveler’s Checks

1. Overall Notes

The following cases are examples of types of transactions to which currency exchange business operators should pay special attention as transactions that may fall under suspicious transactions, when fulfilling the obligation to give notification of suspicious transactions prescribed in Article 8 of the “Act on Prevention of Transfer of Criminal Proceeds.” It is necessary for currency exchange business operators to determine whether an individual specific transaction falls under suspicious transactions, in comprehensive consideration of the attributes of the customer, the circumstances at the time of the transaction, and other specific information pertaining to the transaction which the currency exchange business operators have.

Therefore, although these cases serve as a reference for currency exchange business operators’ detecting or extracting suspicious transactions in the process of daily transactions, it is necessary to pay attention to the point that all transactions that formally match these cases do not fall under suspicious transactions while transactions that do not fall under these cases become subject to notification if they are determined by currency exchange business operators to fall under suspicious transactions.

2. Amount of Transactions

(1) Currency exchange transactions by a large amount of cash (including foreign currency) or traveler’s checks
(2) Currency exchange transactions by a large quantity of small-denomination currency (including foreign currency)

3. Frequency of Transactions

Cases where the buying and selling of foreign currency or traveler’s checks is frequently conducted within a short period of time
4. Concealment of True Transactor

(1) Cases where a customer is suspected of conducting currency exchange transactions under a fictitious name or another person’s name
(2) Cases where a juridical person that conducts currency exchange transactions is suspected of being not based on reality

5. Response to Verification at the Time of Transaction

(1) Cases as follows in which a customer appears to be intentionally avoiding his/her verification at the time of transaction
   (i) Cases where multiple persons visit a branch at the same time and each of them conducts transactions in a manner that the amount of currency exchange per person is slightly below the amount subject to verification at the time of transaction (based on a law or a specified business operator’s own rules) by dividing the total amount of the transactions
   (ii) Cases where the same customer visits the same branch or neighboring branches several times on the same day or within a few days and conducts transactions in a manner that the amount of currency exchange is slightly below the amount subject to verification at the time of transaction (based on a law or a specified business operator’s own rules) by dividing the total amount of the transactions
   (iii) Cases where a customer refuses to present verification at the time of transaction documents when he/she is requested to do so or where a customer suddenly changes the amount of currency exchange or the purpose of transaction

(2) Transactions pertaining to a customer who refuses to give explanation and submit materials despite receipt of a request for confirmation of the person who has substantial control or any other true beneficiary made for the reason that there is a doubt about whether the customer commits the currency exchange transaction for him/herself. The same shall apply to cases in which, for a transaction committed by an agent, there has arisen a doubt that a person other than the principal is a beneficiary.

(3) Transactions in which the person who has substantial control of the customer who is a juridical person or any other true beneficiary may be related to criminal proceeds; for example, cases where a juridical person that has been considered
to be the person who has substantial control of the customer has come to be suspected of not being so in reality.

6. Counterfeit Currency, etc.

Cases where a specified business operator has received counterfeit currency, etc., stolen currency, etc., or currency that is suspected of being any of these, etc.

7. Other

(1) Transactions pertaining to a customer who does not have any clear reasons for committing a currency exchange transaction at the relevant branch
   (Currency exchange transactions at an airport, a port, etc. at a remote location without any reasonable reasons)
(2) Cases where a public officer or a company employee commits currency exchange transaction for a large amount that does not match his/her income
   (A high amount of currency exchange transaction that does not match the age)
(3) Transactions pertaining to a customer who emphasizes the confidentiality of the transaction in an unusual manner or a customer who has tried to request, force, or buy, etc. a specific business operator to prevent notification
(4) Transactions pertaining to an organized crime group member, a person affiliated with an organized crime group, etc.
(5) Transactions pertaining to a customer for whom transactions of an unusual form or unusual manner, movement, etc. are recognized based on the knowledge, experience, etc. of staff
(6) Transactions pertaining to a person, etc. for whom an inquiry or a report has been made by external entities, such as a Director for Prevention of Transfer of Criminal Proceeds (*) and other public institutions, on the ground that he/she may be associated with criminal proceeds

(*) Director for Prevention of Transfer of Criminal Proceeds at the Japan Financial Intelligence Center (JAFIC), Organized Crime Department, Criminal Investigation Bureau, National Police Agency
(Attachment 6)

Checklist for Compliance with Criminal Proceeds Transfer Prevention Laws and Regulations in Relation to the Notification Obligation Pertaining to Foreign Exchange Transactions

I. Internal Control System to Fulfill the Notification Obligation

1. Positioning of Compliance with Criminal Proceeds Transfer Prevention Laws and Regulations within the Legal Compliance System

Use “(Attachment 1) Checklist for the Overall Internal Control System for Compliance with the Foreign Exchange Act, etc.” to check whether a specified business operator has a system to comply with criminal proceeds transfer prevention laws and regulations (in relation to the notification obligation pertaining to foreign exchange transactions) within the framework of the legal compliance system.

2. Positioning of Compliance with Criminal Proceeds Transfer Prevention Laws and Regulations within the Administrative Risk Management System

Use “(Attachment 1) Checklist for the Overall Internal Control System for Compliance with the Foreign Exchange Act, etc.” to check whether a specified business operator has a system to comply with criminal proceeds transfer prevention laws and regulations (in relation to the notification obligation pertaining to foreign exchange transactions) within the framework of the administrative risk management system.

In particular, keep the following points in mind.

Do the provisions on administrative work related to remittance from Japan to a foreign state provide for the administrative procedures for accurately notifying the identifying matters pertaining to customers and other matters, which is required in Article 10 of the Criminal Proceeds Transfer Prevention Act?

(Note) Even if the aforementioned administrative procedures are not provided for, a specified business operator shall be deemed to fulfill the check item if it substantially has a system to accurately notify the identifying matters pertaining to customers and other matters.

3. Other
Does the specified business operator appoint a director in charge or manager who is responsible for fulfilling the notification obligation pertaining to foreign exchange transactions (hereinafter referred to as “Foreign Exchange Transaction Notification Administrator”)? Has the specified business operator developed a system in which a Foreign Exchange Transaction Notification Administrator coordinates among related divisions and branches, including the Compliance Control Division, operational divisions, administrative divisions, and sales branches, to comply with the provisions of criminal proceeds transfer prevention laws and regulations related to the notification obligation pertaining to foreign exchange transactions without fail?

(Note) Even if a specified business operator has not appointed a responsible person by specifying compliance with criminal proceeds transfer prevention laws and regulations related to the notification obligation pertaining to foreign exchange transactions, the specified business operator shall be deemed to fulfill the check item if the following requirements are fulfilled.

(i) It is clear from the corporate post of a director in charge or manager that he/she is responsible for compliance with criminal proceeds transfer prevention laws and regulations related to the notification obligation pertaining to foreign exchange transactions.

(ii) The relevant director in charge or manager actually coordinates among related divisions and branches and takes measures to develop a system to comply with criminal proceeds transfer prevention laws and regulations related to the notification obligation pertaining to foreign exchange transactions.

II. Status of Fulfillment of the Notification Obligation Pertaining to Foreign Exchange Transactions

1. Notification of Identifying Matters, etc. Pertaining to Foreign Exchange Transactions

Does the specified business operator give notifications pertaining to foreign exchange transactions pursuant to the provisions of criminal proceeds transfer prevention laws and regulations related to the notification obligation pertaining to foreign exchange transactions while keeping the following points in mind?
(1) Does the Sales Division of the specified business operator which receives requests for foreign exchange transactions from customers understand the matters to notify in an appropriate manner by methods such as by requesting customers to complete foreign remittance request forms? In addition, does the administrative division which carries out remittance work pertaining to foreign exchange transactions accurately notify the identifying matters, etc. of customers, which the Sales Division has understood, in light of the administrative procedures listed in I.2. above?

(Note) Keep in mind that it is necessary to notify the name of a customer even where the customer uses a name that is different from his/her own name. In addition, also keep in mind that, where a specified business operator has come to know that there has been any change to the identifying matters of a customer subject to notification whose verification at the time of transaction has been obtained in a foreign exchange transaction with the customer, the specified business operator must notify the identifying matters after the change in conducting subsequent foreign exchange transactions.

(2) Where the specified business operator conducts foreign exchange transactions through outsourcing of administrative work pertaining to the notification of identifying matters, etc. to another financial institution, etc. (outsourcing contract for transmission work, including SWIFT), does it conclude an agreement, etc. that enables the specified business operator to fulfill the notification obligation without fail with the Outsourcee, under the recognition that the specified business operator, which conducts foreign exchange transactions with customers, undertakes the notification obligation, and check the status of notification by the Outsourcee in an appropriate manner?

(Note) Examples of methods of checking the status of fulfillment of the notification obligation by an Outsourcee are as follows.

(i) By receiving the delivery of transmitted information pertaining to the notification of identified matters, etc., including SWIFT, from the Outsourcee

(ii) By monitoring the status of notification by the Outsourcee on a regular basis

<Remarks>

“Outsourcing contract for transmission work, including SWIFT” is a contract which is concluded to outsource only outgoing transmission work for foreign exchange transactions, for which a specified business operator has
received a request from customers, to another financial institution, etc. and refers to cases where the Outsourceree does not become a party to the relevant exchange transactions.

(3) Where the specified business operator receives a remittance request from a customer for whom another financial institution, etc. acts as an intermediary, does it conclude an agreement, etc. that enables it to acquire information that is necessary to fulfill the notification obligation without fail, under the recognition that it undertakes the notification obligation, and also monitor the status of understanding of identifying matters by the other financial institution on a regular basis?

<Remarks>
“Intermediating” refers to cases where another person who receives a remittance request from a customer does not become a party to exchange transactions pertaining to the remittance request, for example, where remittance request forms of a specified business operator are placed at the other person to enable the other person to receive remittance requests to the specified business operator from customers.

2. **Clarification of Matters to Notify in Requesting an Intermediate Bank to Prepare/ Transmit a SWIFT Telegram**

Where the specified business operator which has received a remittance request from a customer (sending bank) requests another specified business operator (intermediate bank) to prepare and transmit a SWIFT telegram, does the sending bank present accurate matters to notify to the intermediate bank so as to prevent the intermediate bank which has received the request from notifying false matters? In addition, does the intermediate bank collaborate with the sending bank in order to prepare an accurate telegram when preparing a SWIFT telegram?

3. **Record and Preservation of Matters to Notify**

Does the specified business operator preserve a record pertaining to matters to notify in an appropriate manner as prescribed in the Criminal Proceeds Transfer Prevention Act?
4. Understanding of the Status of Fulfillment of the Notification Obligation Pertaining to Foreign Exchange Transactions

(1) Does the Foreign Exchange Transaction Notification Administrator accurately understand the status of fulfillment of the notification obligation pertaining to foreign exchange transactions?

(2) Does the Foreign Exchange Transaction Notification Administrator verify the validity of administrative procedures and organizational frameworks intended to comply with criminal proceeds transfer prevention laws and regulations related to the notification obligation pertaining to foreign exchange transactions in a timely and appropriate manner and review them on an as needed basis?

(3) Does the Foreign Exchange Transaction Notification Administrator report the status of compliance with criminal proceeds transfer prevention laws and regulations related to the notification obligation pertaining to foreign exchange transactions to the Board of Directors, etc. on an as needed basis? Does the Board of Directors, etc. carry out appropriate decision-making concerning matters such as the development of frameworks for complying with criminal proceeds transfer prevention laws and regulations related to the notification obligation pertaining to foreign exchange transactions based on the report?

(Note) Where an outsourcing contract for transmission work, including SWIFT, mentioned in 1. (2) above includes the record and preservation of matters to notify, matters concerning preservation of matters to notify must be included in the relevant agreement, etc., and it is also necessary to monitor the status of preservation of matters to notify on a regular basis.