

## Rules Concerning Verification of Client Identity and Retention of Records

(Adopted on December 7, 2012: Rules of the Federation No. 95)

Fully Amended on December 7, 2012

Amended on December 5, 2014

Amended on December 4, 2015

Amended on December 8, 2017

### Article 1. (Purpose)

The purpose of these Rules is to provide for verification of client identity and retention of records, and other relevant matters that should be implemented when attorneys, legal profession corporations, registered foreign lawyers (Gaikokuho-Jimu-Bengoshi) and registered foreign legal profession corporations (Gaikokuho-Jimu-Bengoshi-Hojin) (hereinafter referred to as “Attorneys”) practice, in order to ensure the appropriateness of duties such as preventing transfer of criminal proceeds.

### Article 2. (Verification of Client Identity during Transactions)

1. When Attorneys manage a client’s account with a financial institution, or take custody of or manage money, securities, or other assets (limited to when the sum is more than the amount prescribed in the Regulations) from or on behalf of clients (including remittance through financial institutions, and the same shall apply hereinafter) (hereinafter referred to as “Asset Management Acts”), in connection with legal matters (excluding work conducted through consignment by the public agency and foreign courts, and the same shall apply in Article 6 and Article 7), such Attorneys must verify the identity of the client (which means, if the client is a natural person, the name, address, and date-of-birth, and, if the client is a judicial person, the name and address of head office or the principal place of business; provided, however, that should verification of the foregoing client’s identity with regard to a natural person hinder an acceptance of a request for legitimate legal assistance and under such circumstances that are stipulated in Regulations, then the identity of the client means such matters that are stipulated in Regulations, and the same shall apply hereinafter.) using methods listed in each item of Paragraph 3 when Attorneys; provided, however, that this shall not apply in the following cases.

(1) When Attorneys receive money in order to pay advances (*yonoukin*), deposits (*kyotakukin*), security money (*hoshokin*), taxes, bail bonds, penalties, fines, money relating to additional penalties, non-penal fines, or other similar amounts to a court, legal affairs bureau, financial institution, or other institutions;

(2) When Attorneys receive money in order to perform obligations borne by the client or other related parties resulting from a judgment, decision, mediation, or settlement in procedures involving the courts or other dispute resolution organizations;

(3) When Attorneys receive a tender, settlement, or other similar money borne by the other party or other related parties resulting from procedures involving the courts or other dispute resolution organizations;

(4) When Attorneys receive condolence money, damage indemnity, settlement money, or other similar money in order to settle with the victim, bereaved family, or their representatives (including statutory representatives) with regard to criminal cases;

(5) When Attorneys receive money as an advance for fees or expenses of Attorneys;

(6) When Attorneys act pursuant to a voluntary guardianship contract provided for in Article 2.1 of the Act on Voluntary Guardianship Contract (Act No. 150 of 1999);

(7) When the client is a guardian of adult, a trustee in bankruptcy or another type of officer appointed by a court and when Attorneys are instructed to assist the duties of such client; or.

(8) When Attorneys act as an executor of will or in similar cases where Attorneys may not verify the identity of a person who has the authority to manage or dispose of the said asset.

2. When Attorneys prepare for or carry out the following transactions or other acts (hereinafter referred to as "Transactions") on behalf of their clients, Attorneys must verify the identity of the client in accordance with a method set forth in each item of the following Paragraph; provided, however, that this shall not apply when Attorneys are instructed by a public agency or in the cases listed in Item 6 through Item 8 of the preceding paragraph.

(1) Buying or selling real property;

(2) Establishing a corporation, contributing capital for the purpose of managing a corporation or engaging in other similar acts or procedures involving contributions of funds;

(3) Changing the corporate structure, merging, splitting, exchanging shares, transferring shares, or changing the objectives provided for in Articles of incorporation;

(4) Election of a person who executes the business of, or who represents the corporation;

(5) Engaging in acts or procedures relating to the establishment or merger of juridical persons (excluding corporations), partnerships, silent partnerships, investment limited partnerships, limited partnerships, or other similar organizations (hereinafter referred to as "Entities");

(6) Changing objectives provided for in Entities' Articles of incorporation, bylaws, or partnership agreements

(7) Election of a person who executes the business of Entities or who represents the Entities;

(8) Entering into a trust agreement, consolidating or splitting a trust, or changing the objectives or the beneficiary provided for in a trust agreement or a trust instrument;

(9) Acquiring or selling a corporation;

(10) Assets pertaining to transactions or other acts are suspected to be criminal proceeds or the client is

suspected to have committed an act which falls under a crime set forth in Article 10 of the Act on Punishment of Organized Crimes and Control of Crime Proceeds (Act No. 136 of 1999) or a crime set forth in Article 6 of the Act Concerning Special Provisions for the Narcotics and Psychotropics Control Act, etc. and Other Matters for the Prevention of Activities Encouraging Illicit Conducts and Other Activities Involving Controlled Substances through International Cooperation (Act No. 94 of 1991) with regard to the transactions or other acts: or

(11) Those which are conducted in such manner that significantly differ from the manner of similar transactions or acts.

3. Verification of identity provided for in the preceding two paragraphs shall be implemented in any of the methods set forth in the following each item. The terms used in this paragraph shall have the meaning of set forth in the Exhibit, i.e. the terms set forth in the left column of Exhibit are defined in the right column of the said Exhibit.

(1) If the client is a natural person, any of the method set forth below:

- a) Method in which Identity Verification Documents of a Natural Person With Photo are presented;
- b) Method in which Identity Verification Documents of a Natural Person (except Identity Verification Documents of a Natural Person With Photo) are presented and also Engagement Agreement addressed to the home of the client stated in such Identity Verification Documents of a Natural Person are sent as Mails Not Requiring Forwarding by Registered Mails;
- c) Method in which two types of Social Insurance Certificates and Pension Handbook, are presented;
- d) Method in which Social Insurance Certificates and Pension Handbook and Identity Verification Documents of a Natural Person apart from the foregoing (except Identity Verification Documents of a Natural Person With Photo), or Supplementary Documents are presented;
- e) Method in which Social Insurance Certificates and Pension Handbook, are presented, and also Identity Verification Documents of a Natural Person apart from the foregoing (including the copy thereof; the same shall apply in f)) or Supplementary Documents (including the copies thereof) are received; or
- f) Method in which Identity Verification Documents of a Natural Person are sent and also Engagement Agreement addressed to the home of the client stated in such Identity Verification Documents of a Natural Person are sent as Mails Not Requiring Forwarding by Registered Mails.

(2) If the client is a juridical person, any of the method set forth below:

- a) Method in which Identity Verification Documents of a Juridical Person are presented;
- b) Method in which Identity Verification Documents of a Juridical Person (including a copy thereof) are received and also Engagement Agreement addressed to the head office or the principal place of business of the client stated in such Identity Verification Documents of a Juridical Person are sent as Mails Not

Requiring Forwarding by Registered Mails; or

c) Method in which Attorneys requests Government Authority to issue or to provide, and receive from it, Identity Verification Documents of a Juridical Person.

(3) If a client is introduced by another business operator, and such another business operator has verified the identity verification in accordance with the provisions of laws and regulations, and the data for such verification is readily available to the Attorneys without delay, the method in which the Attorneys obtain data concerning the identity verification from such another business operator.

(4) If the purpose of the instruction is not likely involving a transfer of criminal proceeds, in view of the attributes of the client, business relationship with the client, and the details of the instruction, a method in which Identity Verification Documents of a Natural Person (including a copy thereof) or Identity Verification Documents of a Juridical Person (including a copy thereof) are presented or sent; or

(5) If verification of identity by one of the methods stated in Item 1 and Item 2 may hinder an acceptance of requests for legitimate legal assistance and under such circumstances that are stipulated in Regulations, such method that is stipulated in Regulations.

4. Attorneys are not obliged to verify identity in accordance with the preceding Paragraphs, even if Asset Management Acts. or preparation for or carrying out of Transactions takes place, if the client satisfies one of the following conditions (except for such Asset Management Acts or preparation for or execution of Transactions that fall under Items 10 or 11 of Paragraph 2 or each item of the following article, in which case Attorneys shall verify the identity of clients):

(1) The Attorney verified the identity of the client in accordance with a method stated in any of each item of the preceding Paragraph within five years;

(2) Another attorney, legal profession corporation, registered foreign lawyer and registered foreign legal profession corporation, who belongs to a joint office which jointly implements preparation and retention of and documents pursuant to the provision of Paragraph 1, Article 5 (meaning a joint office stipulated in Item 4, Article 2 of the Rules concerning Names, etc. of Legal Office (Rules No. 75) verified the identity of the client by a method stated in any of each item of the preceding Paragraph within five years; or

(3) A legal profession corporation or a registered foreign legal profession corporation takes over the operations of another legal profession corporation or another registered foreign legal profession corporation following merger, business transfer, or similar acts and that another legal profession corporation or a registered foreign legal profession corporation verified pursuant the identity of the client by a method stated in any of each item of the preceding Paragraph within five years.

Article 3. (Verification of Identity in case where the Necessity of Strict Client Due Diligence is

Particularly High)

When engaging in Asset Management Acts or the preparation for or carrying out of Transactions falling under any of the following each item, Attorneys must verify the identity of the client, by, in addition to a method stated in each item of Paragraph 3 of the preceding Article, a method in which Identity Verification Documents (meaning Identity Verification Documents of a Natural Person and Identity Verification Documents of a Juridical Person or the supplementary documents set forth in Exhibit; the same shall apply hereinafter) which differ from those to be used by the said method are presented or such Identity Verification Documents (including copies thereof) are received. In such a case, verification of identity to be conducted when Asset Management Acts or the preparation for or carrying out of Transactions falling under Item 1 or Item 2 shall be conducted by a method that differs from the method of verifying identity that was previously conducted when the Attorneys conducted Asset Management Acts or prepared for or carried out Transactions (hereinafter referred to as “Verification when Conducting Transactions”) or by using such Identity Verification Documents that differ from documents used at the said Verification when Conducting Transaction.

(1) Acts in which the client or the natural person concerned (meaning the natural person provided for in Paragraph 1 of the following article; the same shall apply in this item and the following item) are suspected of pretending to be the client or the natural person concerned pertaining to Verification when Conducting Transaction;

(2) Acts with clients who are suspected of having falsified matters relating to Verification when Conducting Transactions at the time of Verification when Conducting Transactions is undertaken (including the client to whom natural person concerned is suspected of having falsified such matters);

(3) Acts to be conducted with persons set forth below:

a) The head of foreign state, or a person who occupies an important position in foreign government, central bank, a juridical person or other organizations similar thereto, which needs to have its budget go through a resolution of an organ equal to the Diet or to obtain its approval, or any other person provided for in Regulations as a person equivalent thereto;

b) A spouse, parents, children or relative of a person set forth in a), to whom it is considered as having high risks of a transfer of criminal proceeds taking into account the degree of influence to be given by the person set forth in a);

c) A juridical person whose business management is considered to have been substantially controlled by the person set forth in a) or b); or

(4) Acts with clients who reside or are located in such countries or regions that have not adequately established a system for the prevention of transfer of criminal proceeds and that are stipulated in Regulations, or other acts involving transfer of assets to parties residing or located in such countries or

regions.

Article 4. (Verification of the Authority to Instruct the Attorney and Identity of Natural Persons that Instruct the Attorney)

1. When a client is a juridical person or when the natural person actually instructing Attorneys (hereinafter referred to as the “Natural Person Concerned”) differs from the client, the Attorneys must verify, in addition to verifying the identity of the client, that the Natural Person Concerned has the authority to instruct the Attorneys in accordance with methods stipulated in Regulations; provided, however, that this shall not apply where it is obvious that the Natural Person Concerned has been engaged in Asset Management Acts or Transactions for the client on the ground that Attorneys recognize the relationship between the client and the Natural Person Concerned.

2. When a client is an intangible juridical person or other organization in the event of the provisions of the preceding Paragraph, Attorneys must verify, in addition to verifying the identity of the client and verifying the Natural Person Concerned’s authority to instruct the Attorney, the identity of the Natural Person Concerned in accordance with methods stipulated in Regulations.

3. Notwithstanding the provisions of the preceding 2 Articles, Attorneys do not need to verify the identity of such client that falls under any of the following items, in the event of the provisions of Paragraph 1.

(1) Country;

(2) Local government; or

(3) Such entity whose identity has been confirmed and are stipulated in Regulations.

4. Notwithstanding the provisions of the preceding 2 Articles and Paragraph 1, when the client is an association or foundation without juridical personality in the event of provisions of Paragraph 1, Attorneys do not need to verify the identity of the client or the Natural Person Concerned’s authority to instruct the Attorneys. In such cases, Attorneys must verify the identity of the Natural Person Concerned in accordance with methods stipulated in Regulations.

Article 5. (Record Retention)

1. When Attorneys verify the identity of a client pursuant to the provisions of the preceding 3 Paragraphs, Attorneys must prepare such document that states the details stipulated in Regulations concerning such verification, and must retain copies of documents presented by clients or originals or copies of documents sent or submitted by clients for five years after the completion of the relevant Asset Management Acts or Transactions.

2. When Attorneys conduct Asset Management Acts or prepare for or carry out Transactions (only in

cases when the Attorneys is obliged to verify the identity of a client in accordance with the provisions of the preceding 3 Articles), Attorneys must prepare such document that states the outline of such acts and transactions and details stipulated in Regulations, and retain such document for five years after the completion of the relevant Asset Management Acts or such Transactions.

3. In the case of Paragraph 4 of Article 2, the retention period provided for in the preceding 2 Paragraphs shall commence from the completion of the final Asset Management Acts or Transactions.

#### Article 6. (Proper Response to Instructions for Legal Matters)

1. When Attorneys intend to accept instructions for legal matters, Attorneys must carefully examine whether the purpose of such instruction relates to a transfer of criminal proceeds in view of the attributes of the client, business relationship with the client, the details of the instruction, and other circumstances.

2. Attorneys shall not accept any instruction when the purpose of the instruction is considered as relating to the transfer of criminal proceeds.

#### Article 7. (Proper Response after Accepting Legal Matters)

1. After accepting an instruction to handle legal matters, and when Attorneys discover that the purpose of the instruction relates to the transfer of criminal proceeds, Attorneys must explain to the client that the instruction is illegal and must endeavor to persuade the client to abandon pursuit of such purpose.

2. Attorneys must withdraw from the legal matter if unable to persuade the client as provided for in the preceding Paragraph.

#### Article 8. (Proper Response When Taking Custody of Assets for Non-Legal Matters)

1. If Attorneys take custody of money, securities, or other assets that are not related to legal matters, Attorneys must carefully examine whether the purpose of such custody relates to a transfer of criminal proceeds in view of the attributes of the party attempting to have assets taken care of, business relationships with such party, the nature of the assets involved in the custody and other circumstances.

2. In the case provided for in the preceding Paragraph, Attorneys shall not take custody of such assets when the purpose of the custody is considered as relating to the transfer of criminal proceeds.

3. When, after the examination provided for in Paragraph 1, Attorneys agrees to take custody of assets, Attorneys shall verify the identity of the party attempting to have such assets taken care of in accordance with a method stated in each item of Paragraph 3 of Article 2, and must retain copies of documents presented for such purpose or originals or copies of documents sent or submitted, and such document that states the outline of such assets taken into custody for five years after the completion of

such assets taken into custody.

4. After taking custody of assets in the case provided for in Paragraph 1, and when Attorneys discover that the purpose of the custody relates to a transfer of criminal proceeds, Attorneys must explain to the client that the request is illegal and must endeavor to persuade the client to abandon pursuit of such purpose.

#### Article 9. (Measures to Ensure Implementation of Preventive Measures)

Attorneys must endeavor to take measures set forth below in order to ensure that Attorneys should take such measures as verification of clients' identity and preparation and retention of verification records and transaction records (hereinafter referred to as the "Measures for Identity Verification"):

- (1) Updating and keeping current the information pertaining to which Verification when Conducting Transactions has been undertaken;
- (2) Education and training to staff;
- (3) Preparation for rules concerning implementation of the Measures for Identity Verification;
- (4) Appointment of a person who audits and supervises and manages other operations necessary for adequate implementation of the Measures for Identity Verification;
- (5) In addition to those listed in the preceding each item, measures provided for in Regulations as those that should be taken in consideration of the national assessment of risks of transfer of criminal proceeds set forth in Paragraph 3, Article 3 of the Act on Prevention of Transfer of Criminal Proceeds (Act No. 22 of 2007).

#### Article 10 (Special Provision for In-House Attorneys)

The provisions of Article 2 through Article 5, Paragraph 3, Article 8 and the preceding article shall not apply where in-house attorneys stipulated in Article 50 of Basic Rules on the Duties of Practicing Attorneys (Rules No. 70) and in-house registered foreign lawyers stipulated in Article 46 of Basic Rules on the Duties of Practicing Attorneys As Applied to Foreign Special Members (Rules No. 100) (hereinafter jointly referred to as "in-house Attorneys") perform their duties as business of the organization to which they belong.

#### Article 11 (Annual Report)

1. Attorneys must submit a report concerning the matters listed below (hereinafter referred to as "Annual Report") during the previous fiscal year (meaning the period from April 1 of the previous year until March 31 of the current year; the same shall apply hereinafter) to the Bar Association to which they belong no later than June 30 of each year; provided, however, that this shall not apply to persons

who have not been Attorneys throughout the entire period of the previous fiscal year.

- (1) Working conditions as Attorneys;
- (2) Implementation of Measures for Identity Verification;
- (3) Implementation of proper response when and after accepting instructions;
- (4) Implementation of proper response when taking custody of money or assets for non-legal matters;
- (5) Implementation of measures to ensure implementation of preventive measures.

2. Notwithstanding the provision of the preceding paragraph, with respect to Annual Report which legal profession corporations and registered foreign legal profession corporations will submit to the Bar Association to which they belong in the region where only the secondary legal office or the secondary office is located, only matters pertaining to the secondary legal office or the secondary office which is located in the region shall be stated.

3. Notwithstanding the provision of Paragraph 1, with respect to cases where in-house Attorneys perform duties as business of the organization to which they belong, matters listed in Item 2 and Item 5 of Paragraph 1 shall not be required to be stated in Annual Report.

4. The form and attachment of Annual Report and the submission method shall be provided for in the Regulations.

#### Article 12 (Supervision by Bar Associations)

1. The Bar Associations shall, as appropriate, provide Attorneys with such advice that is necessary to improve implementation of measures or response listed in Item 2 through Item 5 of Paragraph 1 of the preceding article.

2. The Bar Associations may seek from Attorneys to whom they have provided advice pursuant to the provision of the preceding paragraph a report on implementation of measures or response according to the said advice.

3. Attorneys who were requested to submit a report under the provision of the preceding paragraph must endeavor to meet the request.

4. The Bar Associations shall, in the event Attorneys fail to follow the advice in Paragraph 1 and if there are grounds for a disciplinary action, bring the said Attorneys to disciplinary procedures and have the discipline committee investigate the case.

5. The Bar Associations may, if Attorneys fail to submit Annual Report, bring the said Attorneys to disciplinary procedures and have the discipline committee investigate the case.

#### Article 13 (Delegation to Regulations)

Matters necessary for Measures for Identity Verification and any other matters necessary for

implementing these Rules shall, besides those provided for herein, be stipulated in the Regulations.

Supplementary Provisions (Fully amended on December 7, 2012)

1. These Rules (hereinafter referred to these “New Rules”) shall come into force as from March 1, 2013.
2. Identity verification and record retention conducted in accordance with the provisions of Rules Concerning Verification of Client Identity and Retention of Records prior to the implementation of these New Rules shall be deemed to be identity verification and record retention conducted in accordance with the relevant provisions of these New Rules.

Supplementary Provisions (Regulations No. 101 of December 5, 2014 (partially amended on December 4, 2015)

Extract of Rules concerning Establishment of Regulations of Federation (related to foreign special membership) in line with partial amendment to the Act on Special Measures concerning the Handling of Legal Services by Foreign Lawyers pertaining to the foundation of registered foreign legal profession corporations (amended Article 1, Article 2)

Article 1 These Rules shall become effective on the date of enforcement of the Act to Partially Amend the Act on Special Measures concerning the Handling of Legal Services by Foreign Lawyers (Act No. 29 of 2014) (the remaining omitted). (To be enforced as of March 1, 2016 under Cabinet Order of 414 of 2015)

Supplementary Provisions (Amended on December 4, 2015)

The amended provisions of Article 2, Article 3, Paragraph 1 of Article 4, Paragraph 3 of Article 5, Article 9 and Exhibit (newly established) shall become effective on the date of enforcement of the Act to Partially Amend the Act on the Prevention of Transfer of Criminal Proceeds (Act No. 117 of 2014). (To be enforced as of October 1, 2016 under Cabinet Order of 337 of 2015)

Supplementary Provision (Amended on December 8, 2017)

1. (Effective Date)

The amended provisions of Article 10 through Article 13 shall become effective on January 1, 2018.

2. (Transitional Measures)

The first Annual Report that should be submitted by June 30, 2018 under the provision of Article 11 after amendment shall, notwithstanding the provision of Paragraph 1 of the said article, cover the matters during the period from January 1, 2018 until March 31, 2018.

Exhibit (reference to Article 2)

Term	Meaning
Government Authority	A government or public office, a foreign government recognized by the Japanese Government or a competent international organization.
Identity Verification Documents of a Natural Person	Documents issued or provided by a Government Authority or such other similar documents in which the identity of the natural person is stated.
Social Insurance Certificates and Pension Handbook	Certificates which pertain to qualification to receive benefits of the medical insurance such as national health insurance, the nursing insurance, the public pension or such other social welfare program such as child rearing allowance, and in which the identity of the natural person is stated.
Identity Verification Documents of a Natural Person With Photo	A document which is an Identity Verification Document of a Natural Person and to which a photograph of the natural person is affixed by a Government Authority, and a Passport (meaning a passport listed in Item 5 of Article 2 and a crew member's pocket-ledger listed in Item 6 of the same article of the Immigration Control and Refugee Recognition Act (Cabinet Order No. 319 of 1951), in which name and date of birth are stated).
Identity Verification Documents of a Juridical Person	A certificate of registered matters relating to the registration of the establishment of a juridical person, certificate of seal registration, or other documents issued or provided by a Government Authority, and in which the identity of the juridical person is stated.
Engagement Agreement	An engagement agreement (if an engagement agreement is not required, a document relating to the Asset Management Acts or to the preparation for or carrying out of the Transactions.)
Registered Mails	Registered mails, or mails that record acceptance or delivery, or other similar mails.
Mails Not Requiring Forwarding	Mails which may not be forwarded or other similar mails.
Supplementary Documents	Receipts of taxes, social insurance premium or utility charges, or documents issued or provided by a Government Authority, or other similar documents in which name and the current residence are stated.