

Rules Concerning Client Identity Verification and Record Preservation, Etc.

(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 and record preservation of client identity, 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, etc.”) practice, in order to ensure the appropriateness of duties such as preventing transfer of criminal proceeds, etc.

Article 2. (Verification of Client Identity during Transactions)

1. The identity of the client (meaning the name, address, and date-of-birth if a natural person, and the name and address of head office or the principal place of business if a juridical person; provided, however, that if asking to verify the client’s identity with regard to natural persons is stipulated in Regulations as likely to hinder the proper acceptance of requests for legal matters, then meaning matters stipulated in Regulations, and the same shall apply hereinafter.) must be verified using methods listed in each item of Paragraph 3 when Attorneys, etc. manage a client’s financial institution account, or take custody of or manage (hereinafter referred to as “Asset Management Acts, etc.”) 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), 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); provided, however, that this shall not apply in the following cases.

(1) When money has been entrusted in order to pay advances, deposits, security money, 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 money has been entrusted 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 tender, settlement, or other similar money borne by the other party or other related parties has

been received in procedures involving the courts or other dispute resolution organizations.

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

(5) When money has been received as an advance for Attorneys', etc. fees or expenses.

(6) When conducted as work 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 was appointed by a court as a guardian of adult or a trustee in bankruptcy, etc. and when a request has been received regarding acts that can be conducted as duties of such client.

(8) When Asset Management Acts, etc. are conducted as an executor of will or in the case equivalent thereto, and the identity of a person who has the right to manage or dispose of the said asset cannot be verified when conducting Asset Management Acts, etc.

2. When preparing or executing the following transactions or other acts (hereinafter referred to as "Transactions, etc.") on behalf of their clients, Attorneys, etc. 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 entrusted 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) Contributing capital for the purpose of establishing or managing a company or engaging in other similar acts or procedures involving funding contributions

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

(4) Executing business operations or electing a person to represent the company

(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, etc.")

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

(7) Executing Entities', etc. operations or electing a person to represent the Entities, etc.

(8) Entering into a trust agreement, consolidating or splitting a trust, or changing the objectives or consignee provided for in a trust agreement or bylaws

(9) Acquiring or selling a company

(10) Assets pertaining to transaction or other acts are suspected to be criminal proceeds or those for which it is deemed that 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

(11) Those which are conducted in the 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. In this paragraph, the meaning of the terms set forth in the left column of Exhibit shall be as 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 a photo are presented;
- b) Method in which identity verification documents of a natural person (except identity verification documents of a natural person with a photo) are presented and also an Engagement Agreement, etc. addressed to the home of the client stated in such identify verification documents of a natural person are sent as Mail Not Requiring Forwarding by Registered Mail, etc.;
- c) Method in which two types of social insurance certificates and pension handbooks, etc. are presented;
- d) Method in which social insurance certificate and pension handbook, etc. and identity verification documents of a natural person apart from the foregoing (except identity verification documents of a natural person with a photo), or supplementary documents are presented;
- e) Method in which social insurance certificate and pension handbook, etc. 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 sent;
- f) Method in which identity verification documents of a natural person are sent and also an Engagement Agreement, etc. addressed to the home of the client stated in such identify verification document of a natural person are sent as Mail Not Requiring Forwarding by Registered Mail, etc.;

(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 sent and also an Engagement Agreement, etc. addressed to the head office or the principal place of business of the client stated in such identify verification document of a juridical person are sent as Mail Not Requiring Forwarding by Registered Mail, etc.;
- c) Method in which Attorneys, etc. requests a government or public office to issue, 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 conducted identity verification in accordance with the provisions of laws and regulations, and the data for such verification can be obtained at any time without delay, the method in which the data concerning the identity verification is obtained from such another operator.

(4) If the likelihood of the purpose of the request involving the transfer of criminal proceeds is slim, in view of the attributes of the client, business relationship with the client, and the details of the request, etc., method in which identity verification documents of a natural person (including the copy thereof) or identity verification documents of a juridical person (including the copy thereof) are presented or sent;

(5) If it is stipulated in Regulations that being asked to verify identity by methods stated in Item 1 and Item 2 is likely to hinder the proper acceptance of requests for legal matters, method stipulated in Regulations.

4. Identity verification for clients set forth in each item below is not necessary even if Asset Management Acts, etc. or Transactions, etc. preparation or implementation takes place, in accordance with a method stated in each item of the preceding Paragraph; provided, however, that this shall not apply when Asset Management Acts, etc. or Transactions, etc. preparation or implementation falls under Items 10 or 11 of Paragraph 2 or each item of the following article:

(1) A client whose identity has been verified in accordance with a method stated in any of each item of the preceding Paragraph within five years;

(2) A client whose identity has been verified by a method stated in any of each item of the preceding Paragraph within five years by another attorney, legal profession corporation, registered foreign lawyer and registered foreign legal profession corporation, who belongs to a joint office which jointly implements preparation of a document and retention of a document 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 (Rule No. 75)

(3) A client whose identity has been verified by a method stated in any of each item of the preceding Paragraph within five years by another legal profession corporation or a registered foreign legal profession corporation if a legal profession corporation or a registered foreign legal profession corporation assumes the operations of the above legal profession corporation or the registered foreign legal profession corporation following merger, business transfer, or acts pursuant thereto.

Article 3. (Verification of Identity if Need to Conduct Strict Client Management is Acknowledged as being Particularly High)

When engaging in preparation or implementation of Asset Management Acts, etc. or Transactions, etc. falling under any of the following each item, Attorneys, etc. 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, etc. which differ from those to be used by the said method (meaning identity verification documents of a natural person and identity verification documents of a juridical person set forth in Exhibit or the supplementary documents; the same shall apply hereinafter) are presented or such identify verification documents, etc. (including copies thereof) are sent. In such a case, verification of identity to be conducted when preparing or implementing Asset Management Acts, etc. or Transactions, etc. 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 preparing or implementing Asset Management Acts, etc. or Transactions, etc. (hereinafter referred to as “Verification when Conducting Transactions”) or by using 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 the 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 deemed highly likely to be involved in 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 deemed to have been substantially controlled by the person set forth in a) or b).

(4) Acts with clients who reside or are located in areas stipulated in Regulations as countries or regions acknowledged as not having adequately established a system concerning the prevention of transfer of criminal proceeds, or other acts involving transfer of assets to parties residing or located in such countries or regions.

Article 4. (Verification of the Authority to Make Requests and Identity of Natural Persons that Make

Requests)

1. When a client is a juridical person or when the natural person actually making the request to such Attorney, etc. (hereinafter referred to as the “Natural Person Concerned”) differs from the client, Attorneys, etc. must verify, in addition to verifying the identity of the client, that the Natural Person Concerned has the authority to make requests 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, etc. or Transactions, etc. for the client on the ground that Attorneys, etc. recognize the relationship between the client and the Natural Person Concerned, etc.

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

3. Notwithstanding the provisions of the preceding 2 Articles, the identity of such client need not be verified when the client falls under any of the following items, in the event of the provisions of Paragraph 1.

(1) Country

(2) Local government

(3) Entity stipulated in Regulations as actually existing

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, etc. need not verify the identity of the client or the Natural Person Concerned’s authority to make requests. In such cases, Attorneys, etc. must verify the identity of the Natural Person Concerned in accordance with methods stipulated in Regulations.

Article 5. (Record Preservation)

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

2. When Asset Management Acts, etc. have been conducted or Transactions, etc. have been prepared or executed (limited to when the identity of a client must be verified in accordance with the provisions of the preceding 3 Articles), Attorneys, etc. must prepare a document that states the outline of such acts and transactions and details stipulated in Regulations, and

store such document for five years after the completion of such Asset Management Acts, etc. or such Transactions, etc.

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

Article 6. (Proper Response to Requests)

1. When intending to accept requests for legal matters, Attorneys, etc. must carefully consider whether the purpose of such request relates to a transfer of criminal proceeds in view of the attributes of the client, business relationship with the client, and the details of the request, etc.

2. Attorneys, etc. shall not accept requests when the purpose of the request is acknowledged as relating to the transfer of criminal proceeds.

Article 7. (Proper Response after Accepting Requests)

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

2. Attorneys, etc. must withdraw from the request if unable to persuade the client as provided for in the preceding Paragraph.

Article 8. (Proper Response When Taking Custody of Money, etc. for Non-Legal Matters)

1. If Attorneys, etc. take custody of money, securities, or other assets that are not related to legal matters, Attorneys, etc. must carefully consider 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, and the content, etc. of the assets involved in the custody.

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

3. When, as a result of considerations provided for in Paragraph 1, Attorneys, etc. have taken custody of assets, Attorneys, etc. 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 store copies of documents presented for such purpose or originals or copies of documents sent or submitted, and a document that states the outline of such assets taken into custody for five years after the completion of such Asset Management Acts, etc. or such Transactions, etc.

4. After taking custody of assets in the case provided for in Paragraph 1, and when Attorneys, etc. discover that the purpose of the custody relates to the transfer of criminal proceeds, Attorneys, etc. must

explain to the client that the request is illegal and must endeavor to persuade the client to abandon fulfilling such purpose.

Article 9. (Measures in Order to Accurately Verify Identity, etc.)

Attorneys, etc. must endeavor to take measures set forth below in order to verify identity and to accurately take measures (hereinafter referred to as the “Measures for Identity Verification, etc.”) such as preparing and preserving verification records and transaction records:

- (1) Measures to update the latest information pertaining to the matters for which Verification when Conducting Transactions has been undertaken;
- (2) Implementation of education and training to clerical staff;
- (3) Preparation of rules concerning implementation of the Measures for Identity Verification, etc;
- (4) Election of a person who audits and supervises and manages other operations necessary for adequate implementation of the Measures for Identity Verification, etc;
- (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 details of the survey on degree of risk 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, Etc.)

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 the Basic Office Regulations for Attorneys (Rules No. 70) and in-house registered foreign lawyers stipulated in Article 46 of the Basic Office Regulations for Registered Foreign Lawyers (Rules No. 100) (hereinafter jointly referred to as “in-house Attorneys, etc.”) conduct practice as business of organization to which they belong.

Article 11 (Annual Report)

1. Attorneys, etc. 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, etc. through the entire period of the previous fiscal year.

- (1) Working state as Attorneys, etc.;
- (2) Implementation status of Measures for Identity Verification, etc.;
- (3) Implementation status of proper response when and after accepting requests;

- (4) Implementation status of proper response when taking custody of money, etc. for non-legal matters;
- (5) Implementation status of measures to accurately take Measures for Identity Verification, etc.

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, etc. conduct duties as business of an 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 (Measures, Etc. of Bar Associations)

1. The Bar Associations shall, when deemed reasonable, provide Attorneys, etc. with necessary advice to improve implementation status 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, etc. to whom they have provided advice pursuant to the provision of the preceding paragraph a report on implementation status of measures or response according to the said advice.

3. Attorneys, etc. 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, etc. fail to follow the advice in Paragraph 1 and if they consider there are grounds for disciplinary action, bring the said Attorneys, etc. to disciplinary procedures and have the discipline committee investigate the case.

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

Article 13 (Delegation to Regulations)

Matters necessary for Measures for Identity Verification, etc. 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 preservation conducted in accordance with the provisions of Rules relating to client identity verification and record preservation, etc. prior to the implementation of these New Rules shall be deemed to be identity verification and record preservation 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. (Date of Enforcement)

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
A government or public office	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 or public office or other similar documents, that state the identity of the natural person
Social insurance certificates and pension handbook, etc.	Certificates pertaining to recipient qualification as to the medical insurance system such as national health insurance, etc., the nursing insurance system, the public pension system or the system relating to social welfare such as child rearing allowance, etc., that state the identity of the natural person
Identity verification documents of a natural person with photo	Of the identity verification documents of a natural person, those to which a photograph of the natural person is affixed by a government or public office, and a passport, etc. (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	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 or public office, that state the identity of the juridical person
Engagement Agreement, etc.	An engagement agreement (document relating to the preparation or implementation of Asset Management Acts, etc. or Transactions, etc. if the preparation of engagement agreement is not necessary)
Registered Mail, etc.	Registered mail, or mail that records acceptance or delivery, or mail pursuant thereto
Mail Not Requiring Forwarding	Mail not to be forwarded or mail pursuant thereto
Supplementary documents	Receipts of taxes, social insurance premium or utility charges, or documents issued or provided by a government or public office, or other similar documents, in which name and the current residence are stated