



Japan Regulatory Update

Japan

DT Legal Japan

April 7, 2016

Kanto Local Finance Bureau issues Questionnaires to Article 63 Exemption Operators

This is a first in a series of Client Alerts which will be issued by the Investment Management Group of DT Legal Japan. Each Client Alert is intended to cover topics that we believe are of immediate interest to offshore fund managers and financial institutions engaging in business activities in Japan.

This Client Alert will cover the recent notice issued by the Kanto Local Finance Bureau (the “KLFB”) to registrants operating under the “Special Business Activities for Qualified Institutional Investors” as set forth in Article 63 (the “Article 63 Exemption”) of the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended or supplemented from time to time). Pursuant to such notice, registrants under the Article 63 Exemption (“Article 63 Exemption Operators”) are required to complete a questionnaire (“Questionnaire”) regarding their activities in Japan with respect to the limited partnership funds or which they act as the general partner (the “LP Funds”).

It should be noted that an identical Questionnaire was issued by the KLFB last year to the Article 63 Exemption Operators. The deadline for filing responses to the Questionnaire to the KLFB is **May 31, 2016**.

Just as last year, the Questionnaire consists of twenty (20) questions regarding the business activities of the Article 63 Exemption Operator

with respect to its Japan marketing activities and the composition of Japan investors in each LP Fund.

Information covered in the Questionnaire includes, but is not limited to, the following:

- (1) the name of each LP Fund for which the Article 63 Exemption Operator acts as the general partner;
- (2) the number of Qualified Institutional Investors subscribed to each LP Fund (“QIIs”);
- (3) the amount invested by QIIs into each LP Fund;
- (4) the assets under management of each LP Fund;
- (5) the beginning and ending balance of net assets of each LP Fund for the relevant period;
- (6) information on any long and short positions held by each LP fund;
- (7) the major investment targets of each LP Fund; and
- (8) information on any individual Japan investors subscribed to each LP Fund.

We wish to note that the obligation to complete and submit the Questionnaire is applicable to any Article 63 Exemption Operator that has submitted its notification prior to **October 31, 2015** – even if such Article 63 Exemption Operator has not yet received a notice from the KLFB. However,

Article 63 Exemption Operators that withdraw their registrations under the Article 63 Exemption prior to **May 31, 2016** are not required to complete the Questionnaire.

Please note, as stated in the notice, that failure to complete and submit the Questionnaire to the KLFB may result in the non-complying Article 63 Exemption Operator to be listed on the website of the Financial Services Agency of Japan (the "Japan FSA") as being "problematic. Furthermore, the Japan FSA may also seek to pursue other types of actions against such non-complying Article 63 Exemption Operator.

The same as last year, the KLFB will treat all information provided in the responses to Questionnaire by the Article 63 Exemption Operators as confidential and will not make such information publicly available, provided, however, the aggregated information may be released in a report issued by the KLFB which summarizes its findings.

The Investment Management Group of DT Legal Japan has extensive experience in advising Article 63 Exemption Operators with respect to the various aspects of the Article 63 Exemption and is happy to assist Article 63 Exemption Operators in addressing the Questionnaire by the specified deadline.

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