

**Institutional Issues Concerning Conglomerates
FSA Financial System Council Study Group
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1. Firewall Regulations

Regulations on the Sharing of Nonpublic Information within Groups; Restrictions on Double-Hatting by Executives and Staff within Groups

Current Situation in Japan	Situation in Other Countries
<ul style="list-style-type: none"> • Under the Securities and Exchange Law, securities firms are banned from: ① Giving or receiving nonpublic information concerning issuers or customers to or from the parent corporation, subsidiaries, etc., without prior written consent and ② Using nonpublic information concerning customers acquired from the parent corporation, subsidiaries, etc. to solicit business (Business Conduct Regulation Ordinance Article 12). <ul style="list-style-type: none"> * “Nonpublic information”: Important information concerning the administration, operations, or assets of an issuer company that has not been made public, and which is recognized as influencing customers’ investment decisions. As well, any special information, such as customers’ ordering patterns relating to the buying and selling of securities that a director, accounting adviser, corporate auditor, executive officer or employee of the securities firm in question or its parent company, or its subsidiary, etc., learned about in the course of his/her duties. Note, however, that, in relation to the giving or receiving of internal control operations (regulatory compliance management and risk management, etc.), prior written consent is not required if the regulator has provided approval. (Note, however, that non-banks, lease, trust companies, and investment companies, etc., are not covered by the approval.) (Business Conduct Regulation Ordinance Article 11-2). • Under the Personal Data Protection Law, securities firms are, in principle, banned from providing personal data to a third party without prior consent. 	<p><US></p> <ul style="list-style-type: none"> • Although the U.S. has no restrictions on sharing nonpublic personal information within a group, to share it with third parties outside the group, the entity must give the client the opportunity to opt out. In addition, customers that have ongoing transactions must be notified about privacy policies and business practices on a regular basis (Gramm-Leach-Bliley Act). • Where the information falls within the definition of a “consumer report” (credit worthiness, credit balance, character, lifestyle, etc.), to share the information with third parties, regardless of whether the third party is in the group or not, the institution must give the client the opportunity to opt out. Note, however, that information about the business or about past trading results does not fall within the definition of a consumer report (Fair Credit Reporting Act). • Even if information falls within the definition of a consumer report, the entity does not need to give the client the opportunity to opt out where its aim is to prevent fraud or to manage risk within the group. • Some states have stronger protection provisions. <ul style="list-style-type: none"> * For example, the State of California requires consent based on the provision of the opportunity to opt-out when sharing information within a group, but requires the client to opt-in for the sharing of information with third parties that are outside the group. • There are no regulations on the sharing of corporate information or on the sharing of individual information if the individual is dealing with the financial institution for business purposes.

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