

29 NFPF No.13

Feb, 20, 2017

Mr. Junichi Maruyama
Chairman and Representative Director,
Futures Industry Association Japan

Response to the Letter “Request for Exemption from
the Cost Allocation to Non-Beneficiaries”

Dear Mr. Maruyama,

I am writing this letter to respond to your organization’s request mentioned in the title, dated December1, 2016, with the answer as follows.

The National Futures Protection Fund (the Fund) collects the prescribed membership fees from its member FCMs (the members) to cover its expense for carrying out the following businesses.

The Fund continually supervises and audits the members by watching their financial situation as well as their fulfilment of segregation duties on the customers’ assets. In carrying out the supervision and the audit, the Fund in particular carefully examine the members’ ability to pay back all the deposited money to the customers, regardless of whether they are general customers or not, based on the Cabinet order. By doing this, the Fund contributes to the prevention of the members’ failures.

In the case when a member has unavoidably fallen into a failure, the Fund makes every effort in collecting the segregated money for enabling full pay-back to all the customers, and it is only when such full payback with segregated money turns out to be impossible, that the General Customer Payments are invoked.

In this respect, since the Fund was founded in 2005 we have experienced 3 settlement cases caused by member’s failure, but in every case the settlement was completed in full payment of claims to all the customers, through segregation settlement with effective utilization of Fund subrogation system. Therefore, the General Customer Payment has not even once been invoked up to now.

As described above, it is impossible for the Fund to carry out its customer protection businesses separately in two ways; General Customer Payment that specifically covers general customers, and settlement with segregated money that covers all the customers.

For your reference we attached an explanatory paper on the Fund and related systems.

As the Fund imposes on the members the membership fees that cover the whole expense of the Fund for carrying out the above-described businesses, please understand that we cannot meet your request.

While the current amount of the membership fee of the Fund is the total of the two kinds of fees, the fixed-amount fee of ¥200,000 per fiscal year and the fixed-rate fee of ¥2.85 per traded volume unit, we are now going to give general consideration to our fee imposing system in order to cope with the recent diversification of the business models of the member FCMs, and please note that we are expecting a new system of fee imposition from FY2018.

Yours sincerely,

Jitsuo Tatara

Chairman

National Futures Protection Fund