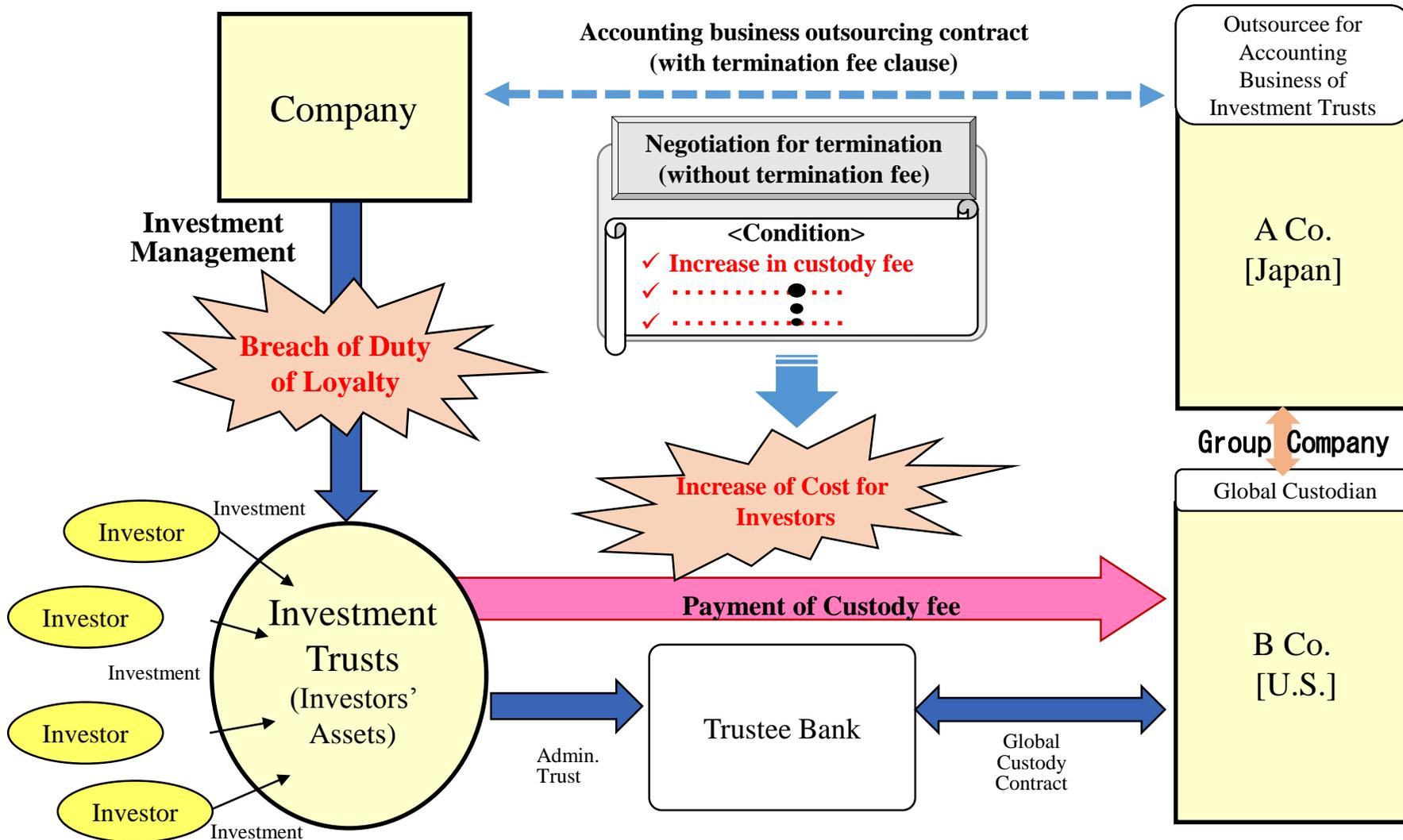


# Case Summary

## Failure to Perform Investment Management Business Faithfully for Investors [Recommendation to the JFSA for Administrative Disciplinary Actions]

The Company, in the course of negotiation to terminate its own business outsourcing contract without any termination fee, accepted a condition that causes additional costs for the Company's customer investors who are not in a position to take any responsibility for the contract.



## Chronology

Between 2011 and 2015, for investment trusts under its management, the Company outsourced part of its administrative function, including calculation of daily unit prices (equivalent to net asset value per unit) and account processing, to A Co. (hereinafter, “the Business Outsourcing Contract” or “the BO Contract”). Further, the Company made its trustees consolidate global custodian operation of those investment trusts to B Co., a group company of A Co.

In August and September 2014, operational malfunctions recurred at A Co., such as distributing incorrect valuation on the daily unit price of an investment trust to information vendors. Taking into consideration occurrence of such malfunctions, the Company decided to terminate the Business Outsourcing Contract with A Co. However, under the BO Contract, if the BO Contract was terminated without cause by the Company, the Company was liable to a termination fee to A Co. From around the beginning of 2015, the Company started to negotiate with A Co. aiming to terminate the BO Contract by consent without paying any termination fee (hereinafter, “the Negotiation”).

In the course of the Negotiation, A Co. proposed that as a condition of the termination without termination fee, the Company should agree to increase a custodian fee (“the Custodian Fee Increase”) by adding a fixed base fee (which will be imposed in a fixed amount regardless of the size of assets in custody and the number of transactions) to the existing one for investment trust(s) for which B Co. served as global custodian.

## **Chronology**

In response, the Company decided to accept the Custodian Fee Increase for a specific investment trust (an investment trust designed to be acquired by other investment trusts; hereinafter, “Mother Fund”) and, in February 2015, communicated to A Co. that (a) the Company accepted the Custodian Fee Increase and (b) the Company would consent if a trust bank (hereinafter the “Trustee Bank”), being a trustee of the Mother Fund’s re-trust, asks for confirmation of the Custodian Fee Increase.

The Trustee Bank thereafter sent an inquiry to the Company on the Custodian Fee Increase and the Company consented. As a result, Custodian Fee Increase for the Mother Fund was initiated from March 1, 2015.

At around the same time, the Company was released from the payment of the termination fee, on the ground that the termination agreement for the Business Outsourcing Contract set forth non-accrual of termination fee from the said termination.