

# **Japan FSA's initiative to create a pro-FinTech environment**

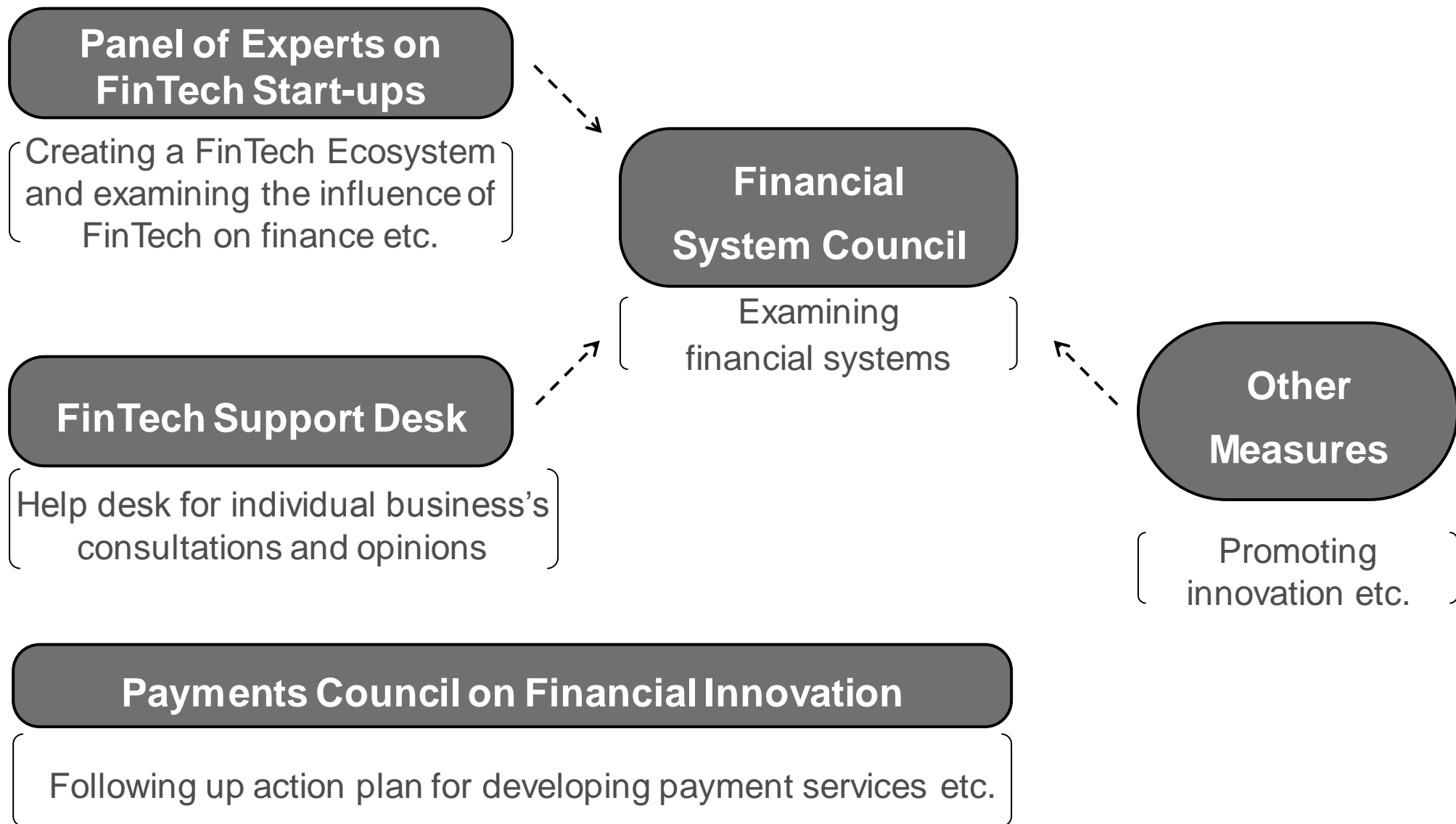
(17th OECD-ADBI Roundtable on Capital Market and Financial Reform in Asia,  
2-3 March 2017, Tokyo)

**Financial Services Agency (FSA)**

**Credit System Office, Planning and Coordination Bureau**

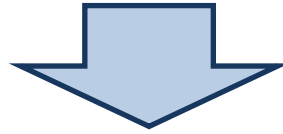
**Junichi Kanda**

# Countermeasures to Address Changes in Financial Services



# Modifying Current Legal System

Rapid growth of FinTech requires changes to current laws.  
Consumer protection is also necessary.



## 【What FSA did】

- **Amended the Banking Act, Payment Services Act, etc. (May 2016)**
  - Enabled financial groups to invest in finance-related IT start-up companies easily
  - Clarifying the obligation for prepaid-card issuers to establish a complaint processing system
  - Establishing a legal framework for virtual currency exchangers
- **Established “Working Group on the financial system” (July 2016). Its report was published on 27th December 2016.**

# Outline of the Final Report by the Working Group on the Financial System of the Financial System Council

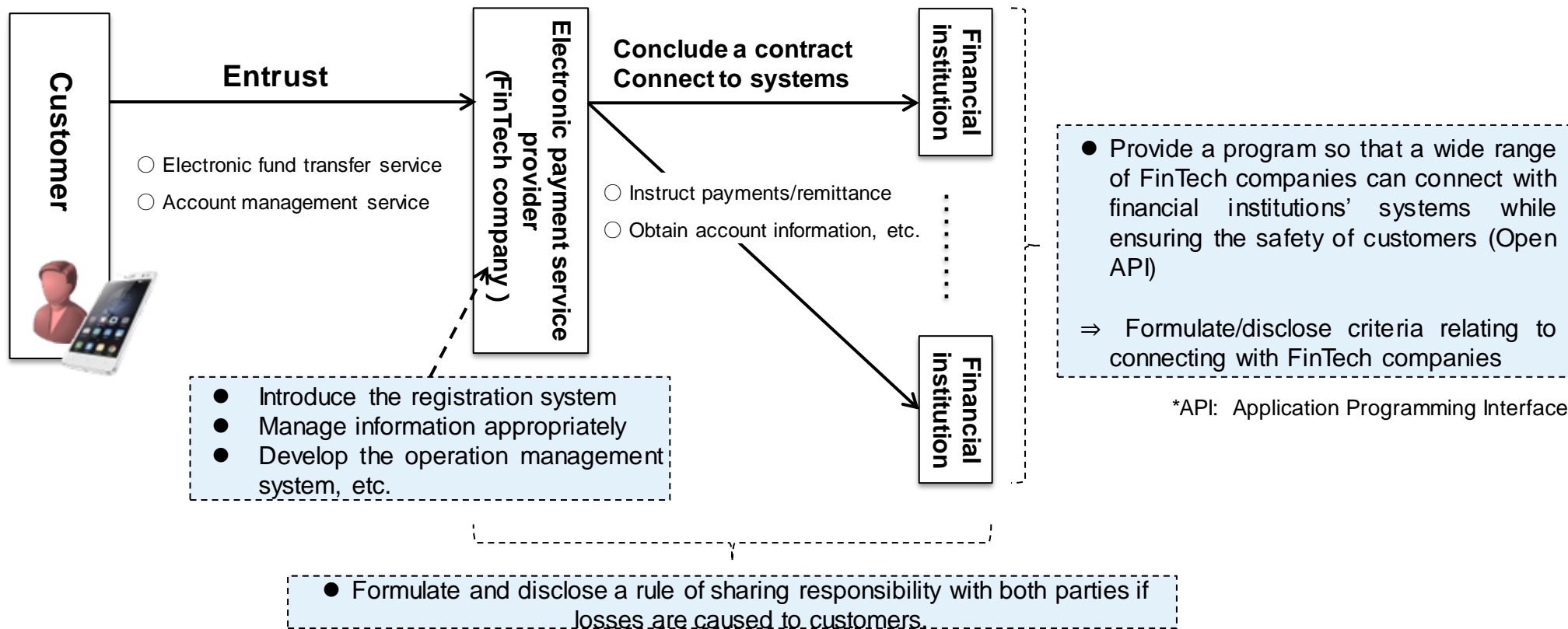
Tentative

## Background/Awareness of issues, etc.

FinTech (Finance x IT)  
accelerates worldwide

Promoting **open innovation between financial institutions and FinTech companies** (innovation by cooperating/working together) while ensuring **user protection** is essential

## Developing a legal framework

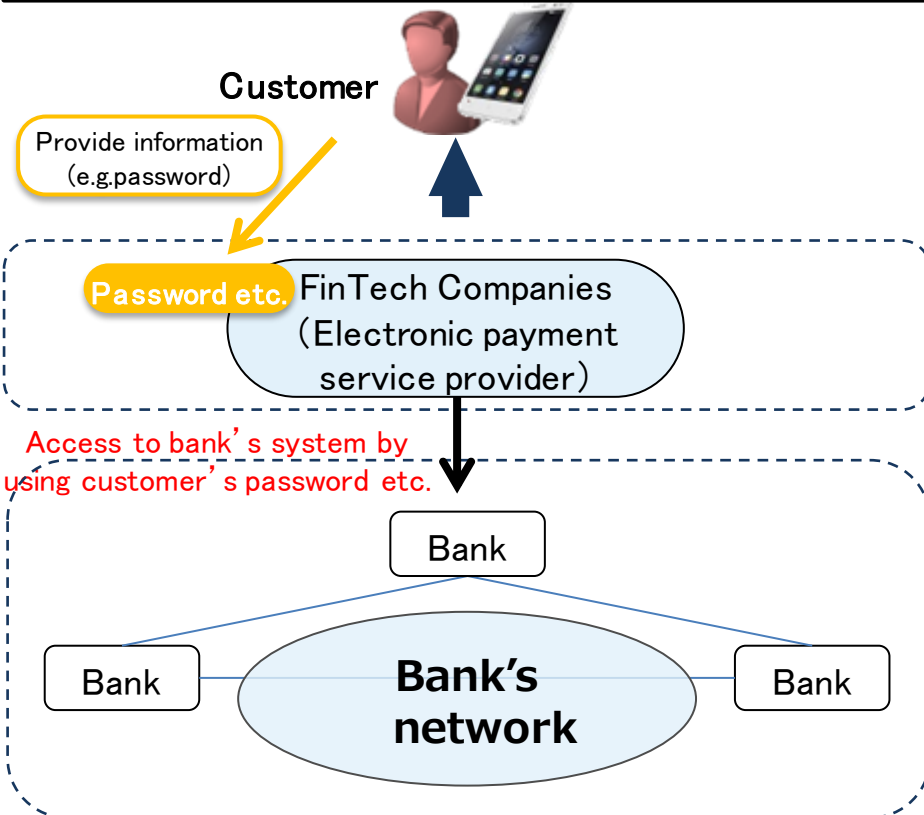


# Effort to Realise Open Innovation (Open API)

By utilising developed bank's payment clearing network, ideas of FinTech companies can be connected to actual financial services while securing consumer protection

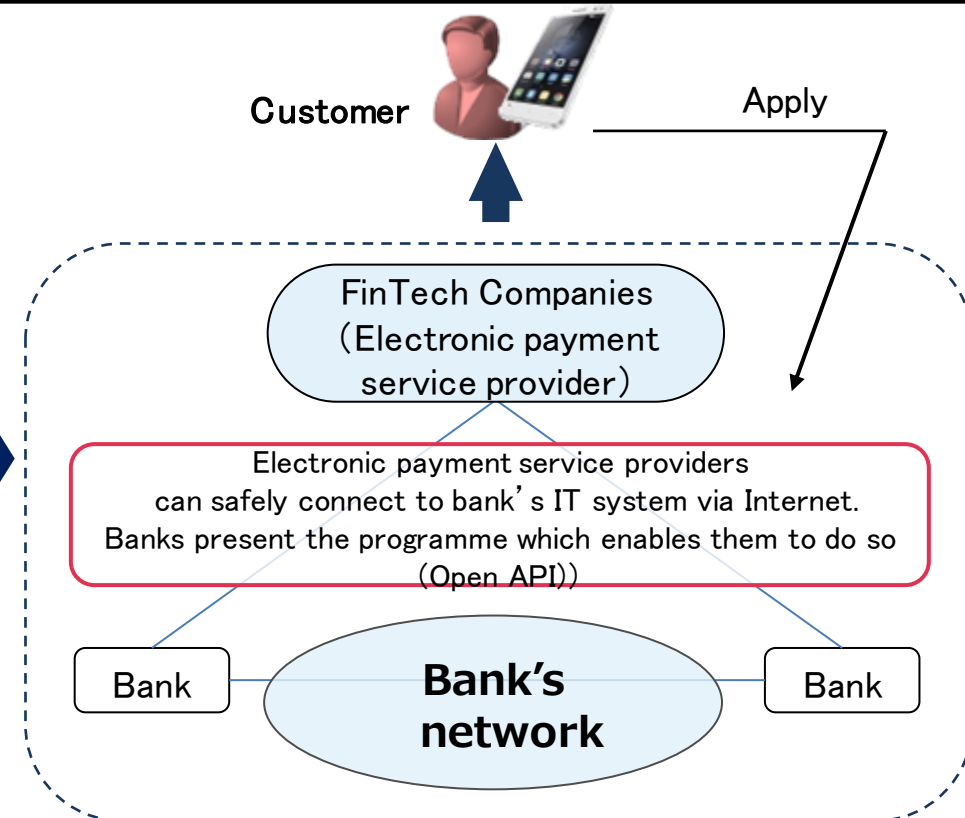
## Current Situation

- **Consumer protection** (e.g. information security) **may be risked**
- **Cooperation** between FinTech and Banks **does not necessarily develop**
- **Adoption of innovation may be delayed**



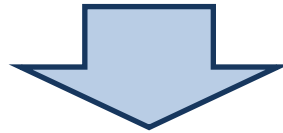
## Approach to Use Bank's Network

- **Security** (e.g. information security) **can be secured**
- **Open innovation** between FinTech and Banks **can be promoted**
- **Convenience & Productivity can be improved** by FinTech



# Reform of Payment System

A traditional payment system is not necessarily appropriate for utilizing FinTech innovation.



## 【What FSA did】

- **Established “Payments Council on Financial Innovation”**  
(Jun. 2016)
  - Discussed ways to shift to XML\* telegrams by 2020
    - \* XML = EXtensible Markup Language (International standard)  
XML has extensibility and flexibility in terms of the number of characters
  - Discussed the standard design of API along with ensuring security and consumer protection in order to promote open API
  - Discussed the utilisation of blockchain. The possibility & challenges is discussed among various participants in investigative commission (est. last December)

# Supporting FinTech Startups

For increasing lively FinTech startups and promoting IT innovation, FSA should create a supportive environment.



## 【What FSA did】

- **Created “FinTech Support Desk” in FSA** (Dec. 2015)
  - Working as a one-stop contact point for FinTech businesses ([fintech@fsa.go.jp](mailto:fintech@fsa.go.jp), +81-(0)3-3506-7080 (9:30-18:15, JST))
- **Established “Panel of Experts on FinTech Start-ups”** (May 2016)
  - Discussing possible measures to create a FinTech ecosystem in which FinTech startups are born and nurtured

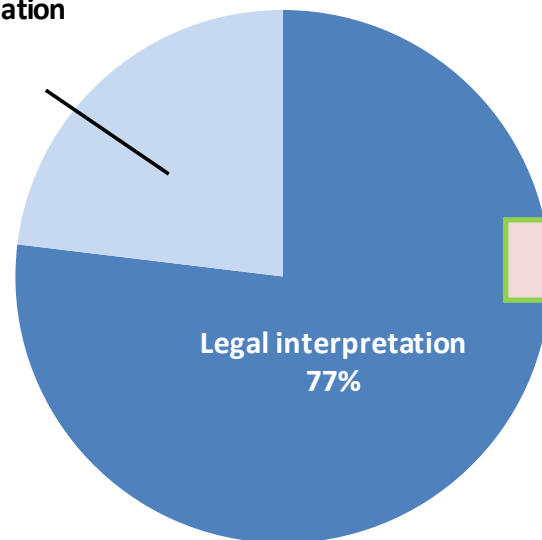
# Activities of FinTech Support Desk(1/2)

- Around 80% of inquiries (70/91) were for legal interpretation. The other inquiries were mainly for exchange of information.
- In the inquiries of legal interpretation, about 30% were regarding agency service/ intermediary service/ sales, 20% were regarding virtual currency, and over 10% were regarding crowdfunding.
- About the proportion of types of laws, 30% of the inquiries were regarding Financial Instruments and Exchange Act , about 20% were regarding Banking Act and Payment Services Act respectively, and about 10% were regarding Money Lending Business Act,

【Kind of inquiries】

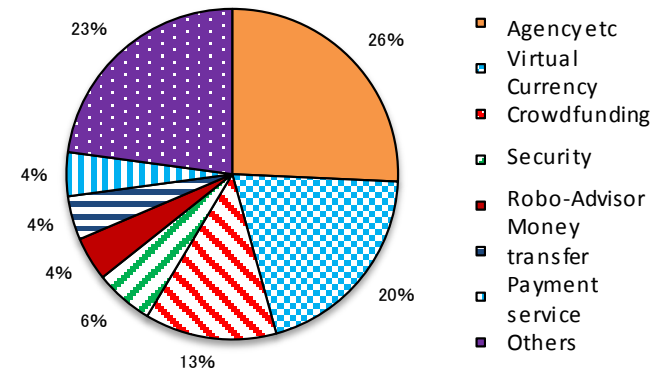
Non-Legal  
interpretation  
23%

(Quantity: 91)



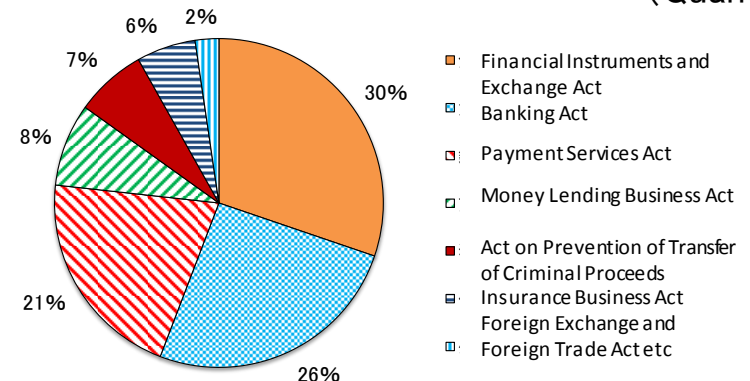
【Classification of Services】

(Quantity: 70)



【Classification of Laws】

(Quantity: 70)



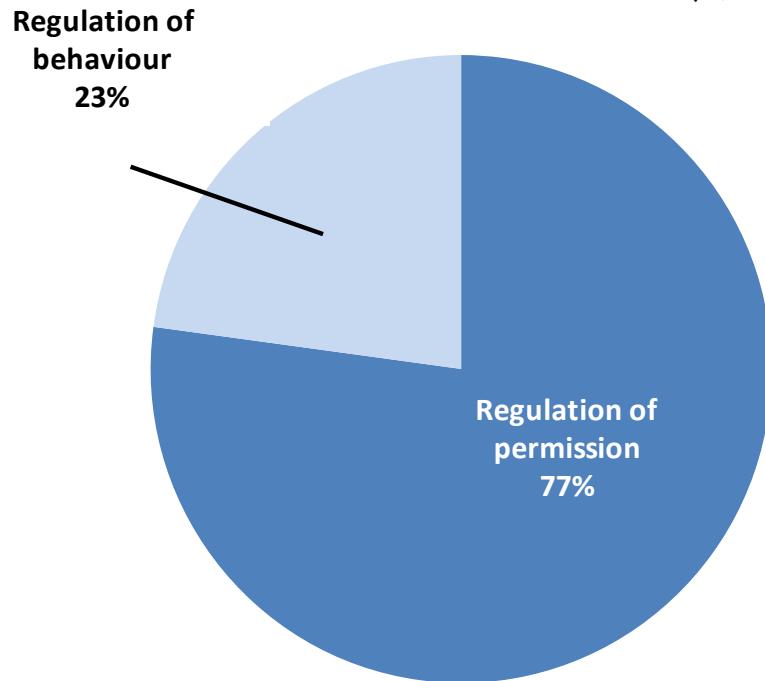


## Activities of FinTech Support Desk(2/2)

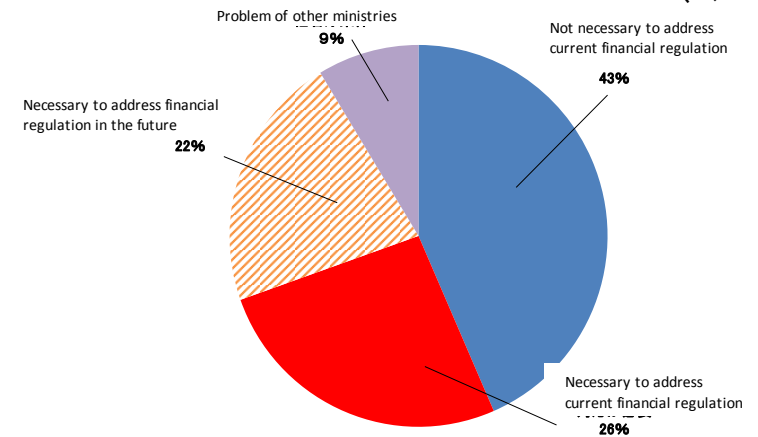
- In the inquiries of legal interpretation, inquiries on regulations of permission were about 80% (54/70). Inquiries on regulations of behaviour were over 20% (16/70).
- In the already finished consultation (Quantity: 46), over 40% of inquiries got the answer that financial regulations are not applied (we usually answer within 1 week)

### 【Classification of legal interpretation】

(Quantity: 70)

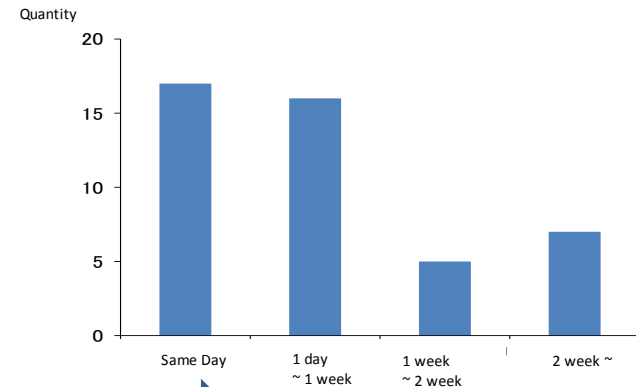


### 【Classification of already finished consultation】(Quantity: 46)



### 【Amount of time required to answer】

(Quantity: 46)



**4 Working Days on Average**

**For creating “FinTech international network”, JFSA and Nikkei Inc. held “FinTech Summit” in which experts and officials in the world participated.**

## 【Main Programme of Day 1】

- Pitch Run (Business contest of FinTech startups)
- Idea Camp (FinTech idea contest of students)

## 【Main Programme of Day 2】

### • Opening Remarks

Taro Aso (Deputy PM, Minister of Finance, Minister of State for Financial Services),  
Naotoshi Okada (President and CEO, Nikkei Inc.)

### • Panel discussion: Asian Finance & FinTech – Beyond Borders

Sopnendu Mohanty (Monetary Authority of Singapore), Farida Peranginangin (Bank Indonesia),  
Katsunori Tanizaki (Sumitomo Mitsui Financial Group), Masaaki Tanaka  
(PricewaterhouseCoopers International Limited/Moderator)

### • Panel discussion: Dawn of the Blockchain Age

Ricardo Correia (APAC Products and Lab R3), Shin'ichiro Matuo (MIT Media Lab), Diana Biggs  
(Proof of Purpose, UCL Centre for Blockchain Technologies), Satoshi Murabayashi (Mitsubishi  
UFJ Financial Group), Hiromi Yamaoka (Bank of Japan/Moderator)

### • Panel discussion: The Strategy of Traditional Financial Institutions

Anshuman Jain (SoFi), Yasuhiro Sato (Mizuho Financial Group), Naoyuki Iwashita (Bank of  
Japan), Tom Braithwaite (Financial Times/Moderator)

### • Debate: Public Sector – Present & Future Roles

Shaul David (UK Department for International Trade), Pierre Gramegna (Minister of Finance of  
Luxembourg/Video Message), Tetsuo Morishita (Sophia University Graduate School of Law),  
Motonobu Matsuo (Financial Services Agency), Yuri Okina (Japan Research Institute/Moderator)

### • Closing Remarks

Nobuchika Mori, Commissioner of FSA

