Overview of the Regulatory Sandbox in Japan

Takeshi Kito

- ***Vice-chairman of the Board***
  Fintech Association of Japan

- ***Committee Member***
  **Advisory Committee for the Government of Japan's Regulatory Sandbox,
  Cabinet Office**

- ***Committee Member***
  **Governance Innovation Advisory Committee,
  Ministry of Economy, Trade and Industry**

- ***Core Group of Experts***
  **Centre for the Fourth Industrial Revolution,
  World Economic Forum**

Frameworks for Regulatory Reform

FINTECH ASSOCIATION OF JAPAN
一般社団法人 Fintech 協会

	Area	**Unit**	**Objective**
Regulatory Sandbox	Nationwide	Project	Demonstration
System to Remove Gray Zone Areas		Business	Statutory Interpretation
System of Special Arrangements for New Business Activities			Exceptional Measures
Council for Promotion of Regulatory Reform		Nation	Investigation & Deliberation
National Strategic Special Zones	Regional	Administrative Area	Deregulation

JFSA's Supporting Regime for Fintech

FINTECH ASSOCIATION OF JAPAN
一般社団法人 Fintech 協会

Fintech Support Desk

- One-stop contact channel for Fintech businesses

Fintech PoC Hub

- Support innovative projects that lead to user convenience and/or productivity of companies
- FSA sets up a special working team, in cooperation with relevant authorities
- A special working team continually supports a project by giving advice on issues related to compliance and supervision etc.

Regulatory Sandbox in a nutshell

Civil Law & Onshore Based

■ Legislated in June 2018

"Act on Special Measures for Productivity Improvements"

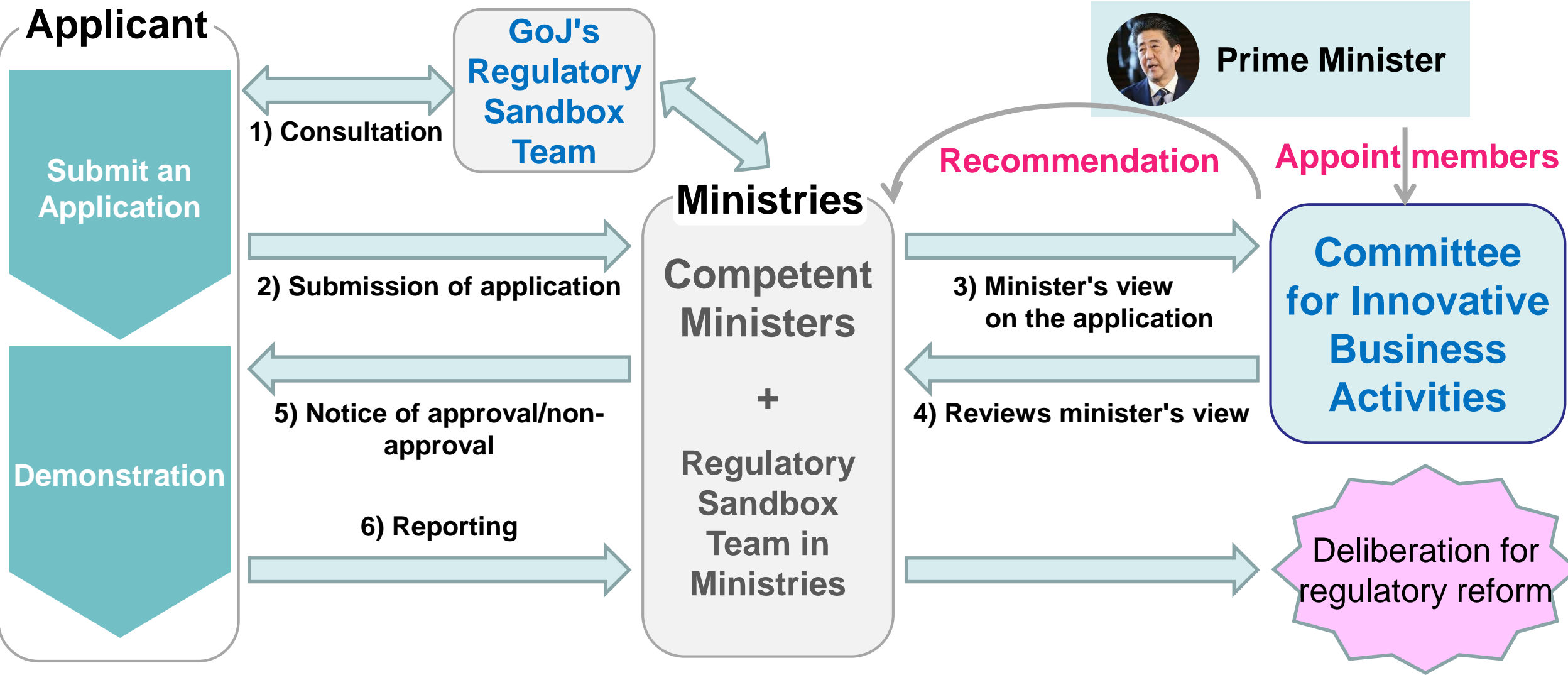■ Temporary statute with 3 years duration

* Probably extended next year

Regulatory Sandbox in a nutshell

Open & Cross Industry

- Always available to both Japanese and Overseas

  companies

  * Not a cohort-style program

- Not Limited to Fintech

Structure

FINTECH ASSOCIATION OF JAPAN
一般社団法人 Fintech 協会

Applicant

Submit an Application

Demonstration

GoJ's Regulatory Sandbox Team

1) Consultation

2) Submission of application

5) Notice of approval/non-approval

6) Reporting

Ministries

Competent Ministers

+

Regulatory Sandbox Team in Ministries

3) Minister's view on the application

4) Reviews minister's view

Prime Minister

Recommendation

Appoint members

Committee for Innovative Business Activities

Deliberation for regulatory reform

Key Organizations

GoJ's Regulatory Sandbox Team

Committee for Innovative Business Activities

Roles

- The single window of the government for applicants
- Provides advices and consultation

- Reviews competent ministers' decisions
- Evaluates projects
- Make recommendations to ministers (if needed)

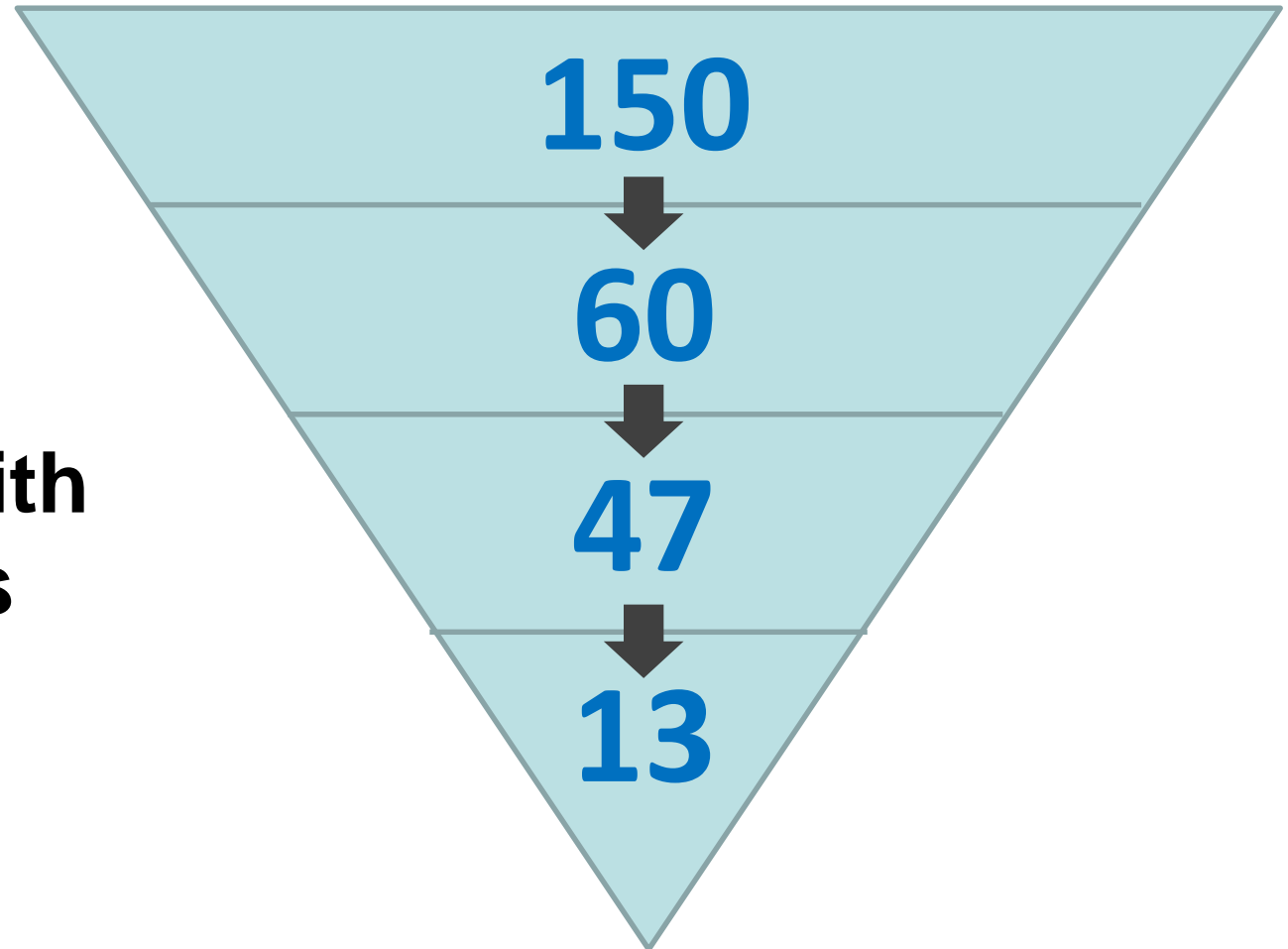**Members**

8 members from the Cabinet Secretariat

1 Entrepreneur

1 Consultant

2 Managements of IT Companies

6 University Professors

3 Legal Professionals

Track Record
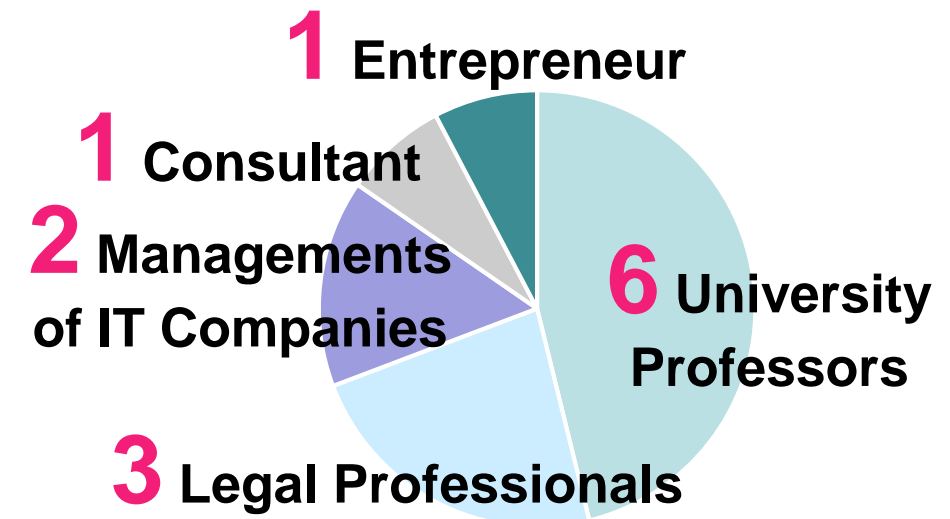
Inquiries — 150

Applications — 60

Under Discussion with Competent Ministers — 47

Approved Projects — 13

FINTECH ASSOCIATION OF JAPAN
一般社団法人 Fintech 協会

Fintech x Blockchain

CRYPTO GARAGE

Establishing **platform for registered crypto exchanges**, which enables them to make **simultaneous settlements between cryptocurrency and FIAT** (JPY).

FINTECH ASSOCIATION OF JAPAN
一般社団法人 Fintech 協会

P2P Insurance

justInCase

Insurance where **policyholders share risk and help each other in the event of an accident** (diagnosis of cancer).
Fee is calculated based on the total amount of insurance money divided by the number of policyholders.

Fintech x Privacy Protection

Demonstrates a new framework to **prevent openings of fraudulent bank account with identity theft** by using **electricity consumption data.**

FINTECH ASSOCIATION OF JAPAN
一般社団法人 Fintech 協会

Real Estate x Digitalization

国土交通省
Ministry of Land, Infrastructure, Transport and Tourism

Demonstrates **methods to digitally issue and send statutory documents** related to real estate loan contract.

* This project is the first case that a **ministry in charge of regulation proactively uses Regulatory Sandbox** for future policy designing.

FINTECH ASSOCIATION OF JAPAN
一般社団法人 Fintech 協会

Home Appliances x IoT

Panasonic

Demonstrates home appliances **connected with high-speed PLC** (power line communication), in order to realize IoT society.

Micro Mobility

Demonstrates **marketability, technology and safety of such new vehicles and businesses.**

Challenges for the Future

- **Prioritization:**
  More than 90% of startups fail but the government need to treat them equally

- **Data Policy:**
  Framework/guideline for dealing with experimental data is not established yet
  (collection, integration, utilization, etc.)

- **Interoperability:**
  Need to develop the interoperability with other regulatory sandboxes for international projects/transactions

Broader Contexts

"We have yet to catch up with the new reality, in which data drives everything, where the **Data Free Flow with Trust**, should top the agenda in our new economy."

Broader Contexts

3rd Industrial Revolution

Technologies are related to

Computer and Automation

So Fintech is related to…

Digitizing Money

4th Industrial Revolution

Technologies are related to

Cyber-Physical Systems

So Fintech is related to…

Monetizing Data

"Governance Innovation"
Agile and Flexible Policy Approaches in the Digital Economy

■ We recognize that **governance in the digital era needs to be** not only innovation-friendly but also **innovative itself**, while not losing legal certainty

■ **Interoperable standards, frameworks and regulatory cooperation** can help in this regard.

■ International as well as national **policy formulation with the involvement of all relevant stakeholders in their respective roles** is instrumental to address a wide range of societal challenges and facilitate discussion on how technology can be better incorporated into policy tools.

G20 Global Smart Cities Alliance

- Smart cities, which consist of many stakeholders, can be distributed cross-industrial sandbox for cyber-physical systems
- This alliance was launched to develop the interoperability among smart cities

Thank you.