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FinTech Newsletter
New Regulations on Payment and Settlement and Cross-Sectional Financial Services Intermediaries
(The Amendment of the *Payment Services Act* and the *Act on Sales, etc. of Financial Instruments*)

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I. Background of the amendments

On June 5, 2020, the *Act for Amendment of the Act on Sales, etc. of Financial Instruments, etc., for the Convenience and Protection of Users of Financial Services* (submitted on March 6, 2020) (the "**Amendment Act**") was passed by the Diet.[1]

Under the Financial System Council, there has been discussion of a policy for developing a system that balances user convenience and user protection by promoting innovation in light of the diversification of financial services due to developments in information and communications technology and the new possibility of providing financial services smoothly online, which was summarized in the report issued by the Working Group on Regulations Regarding Payment and Settlement and Cross-Sectional Financial Services Intermediaries, part of the Financial System Council of the Financial Services Agency, on December 20, 2019 (the "**WG Report**"; that working group, the "**WG**").[2] The purpose of the Amendment Act is to enact concrete amendments regarding regulations on payment and settlement and regulations on cross-sectional financial services intermediaries based on the WG Report.

[1] https://www.fsa.go.jp/common/diet/index.html
[2] https://www.fsa.go.jp/singi/singi_kinyu/tosin/20191220.html

This newsletter will provide a summary of the reforms proposed in the Amendment Act and discuss the effects they would have on business practice.

II. Regulations on payment and settlement

1. Outline of the amendment

In the ten years since the legislation of the *Payment Services Act* in 2010, the development of information and communications technology has led to diversification in the providers and types of payment and settlement services, and the actual state of the provision and use of those services, as well as the related risks, have been more specifically identified. Furthermore, with the drive for cashless payments, there is a need to develop highly convenient, safe and reliable payment and settlement services to meet the needs of users in the coming cashless era.

In light of this situation, the amendments to the regulations on payment and settlement through the Amendment Act is to amend the *Payment Services Act*, mainly in order to reform the regulations on funds transfer services, handle receiving agencies (*shuno daiko*) and add provisions on the prepaid payment instruments, etc., as described below.

2. Reform of regulations on funds transfer services

(1) Increasing regulatory flexibility

Under the current regulations, a funds transfer service provider can handle remittances of no more than one million yen. However, it has been raised that there are cases where it is necessary to make remittances that exceed the current limit, including foreign remittance, individuals' purchases of high-value goods and services, and the settlement of B2B payments. Thus, the Amendment Act will establish a new category of funds transfer service that can handle large-sum remittances that exceed the current limit.

In addition, the current reality is that the amount of money handled by existing funds transfer service providers is often no more than a few tens of thousands of yen per transaction, and each user's account balance is also often no more than a few tens of thousands of yen. Small-sum remittances that are significantly lower than the current limit are considered to be relatively low-risk, and because the amount deposited by each user is small, the effect that bankruptcy of the

funds transfer service provider would have on each user would be limited. Therefore, the Amendment Act relaxes regulations on funds transfer services handling small-sum remittances.

Specifically, the Amendment Act splits funds transfer services into three categories—the newly established "Type I Funds Transfer Service," which handles large-sum remittance, and "Type III Funds Transfer Service," which handles small-sum remittance, and a "Type II Funds Transfer Service" corresponding to a funds transfer service under the current regulations—and proposes a flexible regulatory structure that adapts to the value and risk of the remittances conducted in each category.

The following is a summary of the categories proposed in the Amendment Act and the applicable regulations, which will be explained in detail below.

<table>
<tr><th></th><th>Category</th><th>Maximum remittance amount</th><th>Entry regulation</th><th>Holding of user funds</th><th>Securing user funds</th></tr>
<tr><td>Current regulations</td><td>Current funds transfer service</td><td>1 million yen</td><td>Registration</td><td>–</td><td>Deposit and guarantee can be used together (trust cannot be used with deposit or guarantee)</td></tr>
<tr><td rowspan="3">Amendment Act</td><td>Type I Funds Transfer Service (large-sum)</td><td>No limit</td><td>Authorization</td><td>User funds may be held only if there are specific remittance instructions and that remittance is conducted immediately (strict retention restrictions)</td><td rowspan="2">Deposit, guarantee, and trust can be used together

Time lag between user deposit and securing user funds must be minimized (see (2) below for details)</td></tr>
<tr><td>Type II Funds Transfer Service (equivalent to current regulations)</td><td>1 million yen</td><td>Registration</td><td>Must request withdrawal of funds not related to remittance if user funds held exceed 1 million yen</td></tr>
<tr><td>Type III Funds Transfer Service (small-sum)</td><td>Several tens of thousands of yen</td><td>Registration</td><td>Cannot receive user funds in excess of the limit</td><td>Can manage funds as separate deposits in lieu of deposit with an official depository and other existing protection methods (outside auditing required)</td></tr>
</table>

(i) Type I Funds Transfer Service

A Type I Funds Transfer Service can conduct large-sum remittances of over 1 million yen. There is no maximum remittance amount.

As for the entry regulation on a Type I Funds Transfer Service, a provider must undergo the same registration process currently required for a funds transfer service provider in order to confirm that it meets the minimum requirements for conducting funds transfer service, and additionally receive authorization in light of the risks associated with handling large-sum remittances; specifically, a prospective Type I Funds Transfer Service provider must prepare and receive authorization of a business implementation plan.

Type I Funds Transfer Service is subject to strict retention regulations on the length of time that funds can be held, and a Type I Funds Transfer Service provider must not assume obligations to users with respect to a remittance where the amount of funds to be transferred or other terms are not clear, or hold obligations with respect to a remittance for longer than the period necessary to conduct administrative processes and the like with respect to the transfer of funds. Thus, user funds may be held only if there are specific remittance instructions and that remittance must be conducted immediately after the funds are deposited.

Furthermore, the time lag between receiving a deposit from users and securing such user funds must be minimized (see “(2) Reform of regulations on the preservation of user funds” below for details).

(ii) Type II Funds Transfer Service

The Type II Funds Transfer Service corresponds to a funds transfer service under the current regulations, so the current framework is basically maintained, with a maximum remittance amount of 1 million yen and the registration system.

However, some new regulations regarding the length of time that funds can be held are established by the Amendment Act, such that the funds transfer service provider must implement measures to avoid holding user funds that are not considered to be for the purpose of a remittance. Thus, the provider must request the withdrawal of funds not related to remittance if user funds held exceed 1 million yen.

(iii) Type III Funds Transfer Service

The specific definition of a “small-sum” remittance that can be handled by a Type III Funds Transfer Service is to be provided for by a cabinet order, but it is anticipated to be several tens of thousands of yen.

Type III Funds Transfer Service is subject to the same registration system as exists under the current regulations, with some restrictions on receiving deposits of user funds, and a Type III Funds Transfer Service provider must not assume obligations to users with respect to remittance of more than a certain amount.

Conversely, the Amendment Act relaxes some of the regulations surrounding securing user funds for Type III Funds Transfer Services. Specifically, if a Type III Funds Transfer Service is confirmed to be managing user funds in a deposit account that is segregated from its own property, in lieu of the existing protection methods of deposit with an official depository, guarantee and trust, and specifically submits a notification containing its ratio of deposits and other details, it may choose not to make all or part of its security deposit for providing funds transfer services. If using this protection method, auditing by a certified public accountant or other outside auditor is required.

(iv) Combination of multiple categories

In order to ensure user convenience, a single funds transfer service provider is allowed to operate funds transfer services in multiple categories at the same time, in which case a deposit or other protection of user funds is required for each category. A funds transfer service provider operating in multiple categories can make a lump-sum security deposit for providing funds transfer services for all of such multiple categories, provided that the calculation period of the security deposit for providing funds transfer services is the same for each of those categories.

(2) Reform of regulations on securing user funds

Under the current regulations, a funds transfer service provider is required to secure user funds safely, but these regulations on securing user funds are to be reformed from the standpoint of further enhancing user protection and reducing regulatory compliance costs for providers.

(i) Reduction of security time lag

Under the current regulations, the available methods for securing user funds are deposit with an official depository, guarantee, and trust, and for each method a calculation frequency and period prior to securing the funds is stipulated. In the case of deposit or guarantee, the funds transfer service provider must secure at least the maximum required amount as security for providing funds transfer services “for any one week” “within one week” after the last day of that week. In the case of those protection methods, user funds are managed on a weekly basis and secured based on the performance of the preceding week. This time lag causes a discrepancy between the amount of user funds actually deposited in any given week and the amount of security required by the regulations, leading to the security amount being greater or smaller than actually required. The calculation frequency is different when user funds are secured by trust, in which case the funds transfer service provider must secure at least the required amount as security for providing funds transfer services for any “one business day” by “the next business day.”

Under the Amendment Act, the calculation period is made the same across deposit, guarantee and trust, and the funds transfer service provider is required to calculate the maximum required amount as security for providing funds transfer services in the period determined by the funds transfer service provider for each category of funds transfer service, which must be one week or less. That is, the calculation frequency is standardized to “at least once a week.” By removing the uniform calculation frequency, the new framework does not discourage voluntary efforts by funds transfer service providers to secure user funds in a more timely manner in the interest of user protection.

Furthermore, under the Amendment Act, the period from receiving a deposit to securing that deposit is also amended and standardized from “within one week” (or “by the next business day”) to “within the period determined by the funds transfer service provider for each category of funds transfer service, which must be equal to or shorter than the period of one week or less specified in the cabinet office order.” The details will be provided for in a cabinet office order, but the framework is such that the period before securing funds may be reduced flexibly in response to actual business practice.

However, in the case of a Type I Funds Transfer Service, because the social and economic effects of its bankruptcy would be significant, the

time lag between receiving and securing a user deposit has been shortened in order to ensure the full protection of user funds, and thus the calculation frequency is “each business day” and the period from receiving a deposit to securing that deposit is “within the period of one week or less specified in the cabinet office order.” The details of the latter will be provided for in a cabinet office order, but the WG Report states that under current financial regulations, assuming the use of a trust agreement, foreign exchange margin traders (forex traders) are required to (i) calculate the required security amount every day and (ii) make a trust deposit of any shortfall within two business days from the following day; given that many such traders are doing so, providers handling large-sum remittances will be required to at least meet the same standard, even after taking into consideration practical viability.

(ii) Rationalization of protection methods

Under the current regulations, user funds can be secured by a combination of deposit with an official depository and guarantee, but these cannot be combined with a trust; however, under the Amendment Act, a funds transfer service provider may use any combination of deposit, guarantee and trust from the perspective of enabling flexible combinations that fit each provider’s business model. For example, it is anticipated that a funds transfer service provider could use a deposit or guarantee with respect to the fixed portion of the required security amount that is generally required, while using a trust, which is comparatively easier to make deposits and withdrawals from, for the portion that varies day to day.

Also, under the current regulations, the current regulations provide for an approval system to use a trust, but this is changed to a notification system under the Amendment Act, reducing the level of prior involvement of the regulator.

Furthermore, a Type III Funds Transfer Service provider can manage user funds as segregated deposits in lieu of deposit with an official depository and other existing protection methods (outside auditing required), as stated in “(iii) Type III Funds Transfer Service” in “(1) Increasing regulatory flexibility” above.

3. Handling of receiving agency (*shuno daiko*) services

While providers of receiving agency (*shuno daiko*) services, who act on behalf of a creditor to receive payment from debtors, have traditionally been exempt from regulations under the *Payment Services Act,* in recent years providers have appeared who call themselves receiving agents while in practice providing funds transfer services between ordinary users. The Amendment Act expressly requires those providers to register as funds transfer services from the standpoint of user protection. The main focus of this amendment is bill-splitting apps.

The relevant provision of the Amendment Act reads: “the act of receiving, or causing another person to receive, funds from the obligor of a monetary claim or a person making payment under delegation by the obligor (including sub-delegation to any number of levels) or by a similar method as repayment of that monetary claim, under entrustment by the person holding that monetary claim (hereinafter in this Article, the “Recipient”), through assignment of the monetary claim by the Recipient, or by a similar method, and transferring those funds to the Recipient (excluding where those funds are transferred by delivery to the Recipient) constitutes a remittance where the Recipient is an individual (excluding where that individual becomes the a Recipient as part of its business or for the purpose of its business) or where the criteria specified in the Cabinet Office Order are otherwise met.” (Amended *Payment Services Act*, Article 2-2).

There has not been a clear definition of receiving agencies until now, but the Amendment Act indicates that the criteria for being considered a receiving agency service are, assuming the existence of a monetary claim:

(i) receiving, or causing another person to receive, funds from the obligor or a person making payment under delegation by the obligor or by a similar method as repayment

(ii) under entrustment by the Recipient, through assignment of the monetary claim by the Recipient, or by a similar method, and

(iii) transferring those funds to the Recipient (excluding transfer by delivery).

A case where the Recipient is a business operator (including a sole proprietor acting as part of its business or for the purpose of its business) does not constitute a remittance, as was previously the case, but a case where the Recipient is an individual and the criteria to be specified in a cabinet office order are met does constitute a remittance.

The WG Report expresses an intention for courier cash on delivery services, convenience store receiving agency services, and similar services for business recipients where user protection is not a major issue and there is no risk of double-payment by general users to remain unregulated, and it is clear from the above provision that those services are excluded. The WG Report also states that the escrow services used by general users of online marketplaces when transacting items are to remain unregulated, given that the escrow service is itself an ecosystem with the function of protecting users. However the scope of services to be regulated where the Recipient is an individual will be defined in the cabinet office order, which is still to be enacted, and it remains to be seen whether or not these services will be excluded and the application of the regulations limited to services that are substantively remittance services.

4. Establishment of regulations on prepaid payment instruments

The Amendment Act establishes the following provisions regarding the regulation of prepaid payment instruments.

- Measures for user protection, etc.
  A prepaid payment instrument issuer must take the necessary measures to protect users of prepaid payment instruments and ensure the sound and appropriate operation of the prepaid payment instrument issuance business.
- Instructions to delegatees
  A prepaid payment instrument issuer that delegates part of its prepaid payment instrument business to a third party must give necessary instructions to the delegatee and take other necessary measures to ensure that the delegated business is appropriately and thoroughly performed.
- Business improvement order
  If it is considered necessary to ensure the sound and appropriate operation of a prepaid payment instrument issuer's prepaid payment instrument issuance business, an order may be issued to that prepaid payment instrument issuer to take measures necessary for supervision,

including necessary measures for the improvement of business operation, to the extent necessary.[3]

The details of the above provision will be determined in a cabinet office order, but in the WG Report it is anticipated, among other things, that (i) an issuer of a prepaid payment instrument that allows balance transfers will be required to set a limit on the transferable balance and implement systems for detecting suspicious transactions, such as identifying users who repeatedly receive transfers, and (ii) an issuer of a prepaid payment instrument will be obligated to add "matters regarding the protection of user funds" the information it provides to users, and inform users of the fact that at least half of the user funds must be secured by law, but that the full amount of user funds is not necessarily secured, and provide information regarding its protection methods.

5. Effect on business practice

If the *Payment Services Act* is amended pursuant to the Amendment Act, registered funds transfer service providers (after the amendment, Type II Funds Transfer Service providers), by newly receiving authorization as a Type I Funds Transfer Service will be allowed to handle large-sum remittances, which until now have been the sole province of banks, thus expanding the scope of funds transfer service providers' business. Additionally, some B2B settlement that is currently treated as receiving agency (*shuno daiko*) services may come to be conducted under the law as part of Type I Funds Transfer Service.

However, as stated in "(i) Type I Funds Transfer Service" in "(1) Increasing regulatory flexibility" in "2. Reform of regulations on funds transfer services" above, Type I Funds Transfer Service is subject to strict retention restrictions on the period that funds can be held, so there will remain a difference in the services and roles of banks, which can open deposit accounts, receive funds without restrictions, and make remittances from the balance of a deposit account, and funds transfer service providers, which can only receive funds

[3] While the current regulations already provides that, if it is considered that there is a fact that harms the interest of users of a prepaid payment instrument, an order may be issued to that prepaid payment instrument issuer to take measures necessary for supervision to the extent necessary for the protection of those users, the Amendment Act amends the provisions regarding prepaid payment instrument issuers in a manner to be consistent with the provisions regarding funds transfer service providers.

immediately prior to remittance and provide basic funds transfer service functions.

In order for a Type I Funds Transfer Service provider to provide a service that is convenient to users under these strict retention regulations on the holding of funds, some innovations are likely to be necessary, such as providing instant transfer, remittance and receipt of funds from a customer's deposit account by giving instructions through a read-write API or the like.

On the other hand, if funds transfer service providers become able to handle large-sum remittances, then financial institutions will be able to collaborate with funds transfer service providers, for example in the area of overseas remittance, to connect the financial institution's users to the remittance service provided by a funds transfer service provider (this kind of collaboration is possible under the *Banking Act*, which allows for a bank to perform agency or brokerage for a funds transfer service provider).

With respect to Type III Funds Transfer Services, although much depends on the specific definition of "small-sum" remittances that can be handled by providers in this category, the relaxed regulations on protection of funds will allow, for instance, funds transfer service providers operating under the current regulations and issuers of prepaid payment instruments under the current regulations to enter the market in this category, to provide small-sum settlement for everyday payments. However, it should be noted that Type III Funds Transfer Service providers are still required to fulfil 'know your customer' obligations and other requirements under the *Act on Prevention of Transfer of Criminal Proceeds*.

III. Regulations on cross-sectional financial services intermediaries

1. Outline of the amendment

The amendments regarding regulations on cross-sectional financial services intermediaries under the Amendment Act have mainly to do with the introduction of a new business type, "financial services intermediary business," which can act as an intermediary for financial services across a variety of business types (banking, securities, and insurance).

As discussed in the introduction, the development of information and communications technology has made it possible to provide financial services smoothly online. In this context, the amendment to the *Banking Act* enacted

in 2018 introduced a registration system for electronic payment service providers and obligations for banks to make efforts to develop an open API, and made it possible, with registration, to provide services allowing a user to view his or her own account balance and transaction history through a smartphone application, and services communicating to banks a user's instructions to transfer funds in a deposit account. In anticipation of new business developments such as the provision of better financial services based on the information about user funding needs and asset status obtained through these services [4], the Amendment Act allows for one-stop intermediation of the financial services of multiple financial institutions across multiple business types.

Specifically, the Amendment Act changes the title of the *Act on Sales, etc. of Financial Instruments* to the "Act on Provision of Financial Services," and establishes provisions for the new business type of "financial services intermediary business" under that Act. The current *Act on Sales, etc. of Financial Instruments*, which consists of only ten Articles in its entirety and mainly provides for the duty to explain financial instruments upon sale, will grow to more than 100 Articles as the *Act on Provision of Financial Services,* providing in detail for regulations on financial service providers.

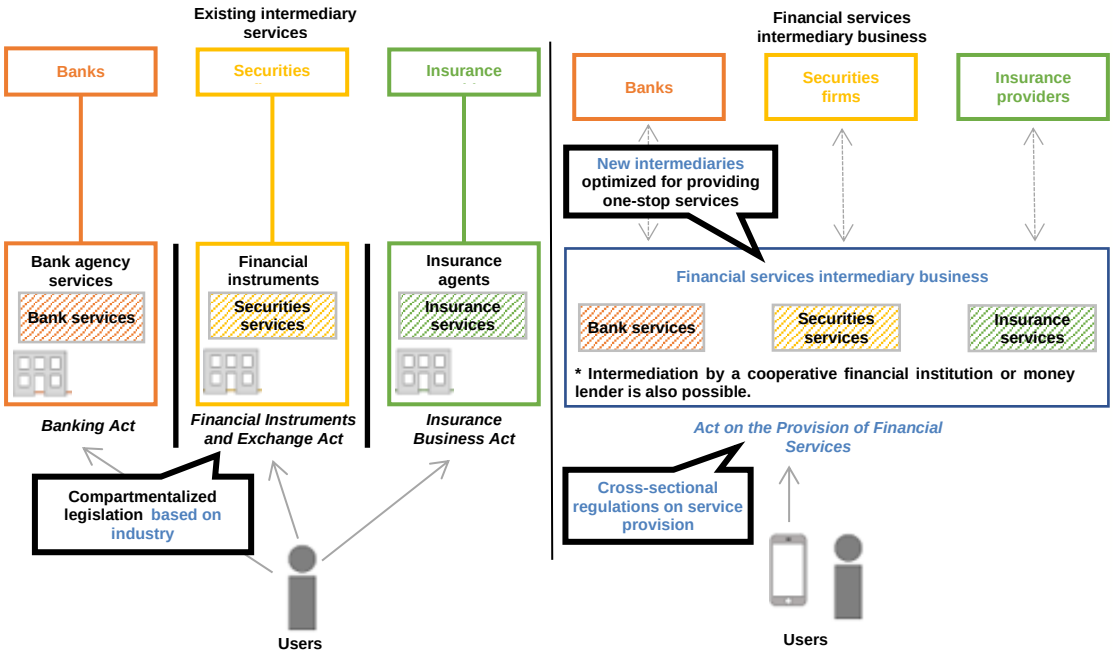
2. Financial services intermediary business

(1) Regulations on the scope of business

"Financial services intermediary business" is defined as conducting, as a business, brokerage of deposits, etc., brokerage of insurance, brokerage of securities, etc., or brokerage of loans by a money lender. A person who intends to operate all or part of that financial services intermediary business may do so by obtaining registration as a "financial services intermediary" (see Fig. 1).

[4] The WG Report anticipates new business developments in response to demand for everyday financial services, such as services allowing a user to easily view his or her own account balance and transaction history through a smartphone application, and introducing the user to available financing and providing comparisons and recommendations of financial services appropriate to the user's life plan based on the information about the user's funding needs and asset status obtained through that service.

Fig. 1



(Extract from the Financial Services Agency's "Explanatory Materials Regarding the Bill for Amendment of the Act on Sales, etc. of Financial Instruments, etc., for the Convenience and Protection of Users of Financial Services" (the "**Explanatory Materials**") dated March 2020.)[5]

As mentioned above, "financial services intermediary business" includes brokerage of loans from money lenders, and thus also includes brokerage of services provided by money lenders. However, the definition of "financial services intermediary business" does not include agency business, so a person who has obtained registration as a financial services intermediary may only conduct intermediary business.

In addition, a financial services intermediary that conducts electronic financial services intermediary business[6] may do so without registration as an electronic payment service provider upon meeting certain criteria.

[5] https://www.fsa.go.jp/common/diet/201/01/setsumei.pdf

[6] Meaning financial services intermediary business conducted by a method using an electronic data processing system or another method using information and communications technology provided for by a cabinet office order.

(2) Regulations on registration

As mentioned above, one must obtain registration as a financial services intermediary from the Prime Minister in order to conduct financial services intermediary business.

In addition, because both legal regulations and self-regulation as an industry initiative are considered important in intermediating financial services from the perspective of user protection, the Amendment Act certifies the “Association of Certified Financial Services Intermediaries” as the self-regulatory organization responsible for establishing industry regulations, and includes joining the Association, or preparation of internal regulations equivalent to those of the Association, as a criterion for registration as a financial services intermediary (criterion for denying registration).

(3) Regulations for user protection

In the interest of allowing it to handle a variety of services, a financial services intermediary is not required to be affiliated with a specific financial institution. Therefore, any dispute or damage concerning users that arises in connection with the provision of services is not the liability of any specific financial institution, and so the Amendment Act establishes following regulations for user protection.

First, the financial services intermediary is made liable for any dispute or damage concerning users that arises in connection with the provision of services. In order to secure those compensation obligations, the financial services intermediary is required to make a security deposit with an official depository. The specific amount of the security deposit will be specified by cabinet order in consideration of the status of financial services intermediaries and the protection of customers and other stakeholders.

Next, a financial services intermediary is in principle prohibited from receiving deposits of money or any other assets of any description from customers.

Furthermore, a financial services intermediary may only handle financial services that are not considered to require highly complex explanations. The

details will be determined by a ministerial order, but the WG has considered the structure set out in Fig. 2[7].

Fig. 2

Examples of products and services that can be provided by new intermediaries

		Allowed (non-exhaustive list)	Prohibited (non-exhaustive list)
Banking	Deposits	• Ordinary deposits • Term deposits and cumulative savings	• Structured deposits • Foreign currency deposits • Dual currency deposits
	Lending	• Home loans • Card loans	–
	Remittances	• Transfers	–
Securities		• National and local government bonds • Shares and bonds of listed companies • Mutual funds and ETFs ➢ May be necessary to limit products within the category of mutual funds and ETFs	• Shares and bonds of unlisted companies • Derivatives transactions • Credit transactions
Insurance	Life insurance	• Whole life/term insurance • Individual pension insurance • Medical insurance • Nursing care insurance ➢ Will consider limitations based on amount and term, depending on the characteristics of the insurance product	• Variable insurance/pensions • Variable surrender value insurance/pensions • Foreign-denominated insurance/pensions
	Property and casualty insurance	• Personal accident insurance • Travel insurance • Golf insurance • Pet insurance ➢ Will consider limitations based on amount and term, depending on the characteristics of the insurance product	

Extract from the reference materials for the 5th Working Group on Regulations on Payment and Settlement and Regulations on Cross-Sectional Financial Services Intermediaries, part of the Financial System Council of the Financial Services Agency

(4) Regulated activities and other regulations

The other regulations applicable to financial services intermediaries include the following.

- Obligation to disclose fees and compensation upon request by a customer
- Obligation to explain material matters

[7] The information provided in the Explanatory Materials is less detailed than this.

- Obligation to appropriately handle and take other measures regarding information received from customers

In addition, the regulations of the *Banking Act*, the *Insurance Business Act*, the *Financial Instruments and Exchange Act* and the *Money Lending Business Act* each apply, with the necessary changes, to a financial services intermediary operating in the relevant areas. There are also regulations regarding the Association of Certified Financial Services Intermediaries, and a financial services intermediary must take the necessary financial ADR measures.

3. Effect on business practice

The establishment of the registration system for financial services intermediaries could lead to the emergence of one-stop intermediaries that handle a broad variety of products and services provided by various financial institutions across varied business types.

For banks, securities firms, insurance providers and the like, the emergence of such intermediaries may increase sales channels and facilitate the expansion of opportunities to sell financial products. Financial institutions that collaborate with electronic payment service providers have an urgent need to begin utilizing and monetizing read-only and read-write APIs, and collaboration with financial services intermediaries may provide further sources of income.

The reforms to the *Banking Act* and the *Insurance Business Act* and other relevant laws under this amendment act will add financial services intermediaries to the list of companies that are allowed to be subsidiaries of banks and insurance companies. Therefore, a financial institution will be able to operate financial services intermediary business through a subsidiary. Recently, bank subsidiaries have begun providing applications to customers and a variety of other information provision services; a bank subsidiary could consider providing such financial services intermediary business as a one-stop operator.

In addition to financial institutions, operating companies have also shown strong interest in registering as financial services intermediaries. Recently, “super apps” that can be used in every facet of everyday life have been attracting attention, and in other countries we can see the emergence of providers whose apps include messaging, social media, payment, remittance,

taxis, air travel, hotels, e-commerce, and all other services for which smartphones are commonly used, all in one place. These kinds of providers could offer financial instruments inside their apps by registering as a financial services intermediary, rather than any existing license.

IV. Conclusion

On June 5, 2020, the Act for Amendment of the Act on Sales, etc. of Financial Instruments, etc., for the Convenience and Protection of Users of Financial Services (submitted on March 6, 2020) was passed by the Diet and the regulations on payment and settlement will be enforced on a date not more than one year after date of promulgation, or as soon as Spring 2021; the regulations on intermediary business will be enforced on a date specified by cabinet order not more than 18 months after the date of promulgation, or as soon as Fall 2021.

As many aspects of the new regulations on payment and settlement and intermediary services will be provided for in detail by a ministerial order, the final direction of the legislation remains to be seen.

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