

Glossary

This page provides supplementary material to assist in better understanding the business environment surrounding the SBI Group.

AML/CFT	Financial institutions are required to comply with guidelines and regulations concerning Anti-Money Laundering (AML) and Combating the Financing of Terrorism (CFT). Until now, the Financial Action Task Force (FATF), which conducts international inspections of the progress of its member countries, has called out Japan for its policies on these fronts, so the development of appropriate responses and countermeasures has become a priority issue for financial institutions and other businesses.
CBDC	Central Bank Digital Currency. The Bank of Japan defines CBDC as satisfying the following three conditions: 1. It must be digitized, 2. It must be denominated in legal tender such as yen, and 3. It must be issued as a direct liability of the central bank. Proof of concept testing has already begun, such as Sweden's "e-Krona" and China's "Digital RMB" for example. While certain countries are conducting specific trials, there are many points to consider regarding the issuance of digital currencies by central banks that replace cash, such as the impact on private bank deposits and the intermediation of funds. Although many major central banks, including that of Japan, are considering and studying the issue, they remain cautious.
DeFi	Decentralized Finance. DeFi refers to a decentralized financial ecosystem built on a blockchain. DeFi transactions do not require a centralized intermediary. Provided an Internet connection is available, anyone can access the ecosystem no matter where they live and regardless of their financial situation. The rise of DeFi services such as decentralized exchanges (DEX) and decentralized lending has led to financial functions traditionally provided by centralized financial systems such as banks, securities companies, insurance companies, and digital asset exchanges, being provided without the need for a financial intermediary through the use of programs (so-called smart contracts, etc.) that are automatically executed on the blockchain. Although there are still issues regarding security, as well as in terms of anti-money laundering and combating the financing of terrorism, the merits of DeFi are the ease with which to partner with external services, self-management of assets by users, and transparent, low-cost transactions. It is said that DeFi has the potential to completely change the way finance is currently done.
Metaverse	A term created by combining the words "meta" and "universe" and refers to a virtual space electronically constructed on the Internet and leveraging services provided therein. Within this virtual space, alter egos (called avatars) are created to interact with others around the world, and individuals can also engage in economic activities such as shopping. With the development of extended reality (XR) technologies such as virtual reality (VR), augmented reality (AR), and mixed reality (MR), and the advent of blockchain technology, it is expected that a part of everyday life will shift to activities in the metaverse. As demonstrated by U.S. social networking service provider Facebook Inc. changing its name to "Meta" in order to focus on the metaverse business, corporate investment into the metaverse is rapidly accelerating with the growing attention of the public into this space.
NFT	Non-Fungible Token. Using blockchain technology, digital content and rights such as digital art, game assets, and script data, which were previously easy to duplicate or tamper with, are given immutable uniqueness, with their value visible, enabling them to be bought and sold. The total value of NFTs sold in 2021 was US\$23.9 billion (approximately ¥2.7 trillion), more than 250 times the US\$94.9 million (approximately ¥10.8 billion) sold in 2020 (according to CoinGecko, Singapore). While the NFT market is rapidly expanding as a global trend with a wide range of players, from major operators to startups, there is a need to develop laws and systems to respond to this trend.
STO	A security token offering (STO) is a new funding mechanism through the issuance of tokens (substituting for fiat currency) that are backed by various tangible assets of value, such as stocks, bonds, and real estate. As a digital security using blockchain technology, these tokens have properties similar to securities, such as distributing revenue to token owners. Overseas STOs are issued as financial products that comply with the laws and regulations of each country, and there is the belief that the reliability of investors and the transparency of transactions are guaranteed to the same extent as existing financial products. In Japan, an amendment to the Payment Services Act and the Financial Instruments and Exchange Act, which came into effect in May 2020, made it clear that STOs are subject to regulation under the Financial Instruments and Exchange Act.
Web 3.0	Web 3.0 is said to be a next-generation Internet based on blockchain technology and characterized by "decentralization" and its "trustless" nature. Under the current Web 2.0 structure, user data is owned or transacted by large, centrally controlled companies. As a result, security risks due to information concentrated in one place, as well as problems such as the monopolization of personal information by large companies, have been pointed out. Web 3.0 is expected to solve these problems by using blockchain technology, that enables decentralized management of transaction information among multiple users connected to the Internet.