

Glossary

This page provides supplementary material to help readers better understand the business environment surrounding the SBI Group.

<p>AML/CFT</p>	<p>Financial institutions are required to comply with guidelines and regulations concerning anti-money laundering (AML) and combating the financing of terrorism (CFT). Until now, Japan has received severe indications from the Financial Action Task Force (FATF), which conducts international inspections of the progress of its member countries, and so the development of appropriate responses and countermeasures has become a priority issue for financial institutions and other businesses.</p>
<p>Corporate succession issues</p>	<p>There is concern that small- and medium-sized enterprises (SMEs), which account for more than 90% of all Japanese companies, will be unable to secure appropriate successors, and there is further concern that the number of businesses withdrawing or going out of business will sharply increase. Presently, the percentage of management in their 60s and 70s is high among SMEs, and soon many will be retiring. In fact, an increasing number of SMEs have been closing down their businesses over the past few years, and as a result, there may be a significant impact on society, such as a decline in employment opportunities throughout Japan and in the GDP.</p>
<p>Crypto-asset (cryptocurrency) regulations</p>	<p>In response to the spread of cryptocurrency in Japan, the Payment Services Act was enacted in April 2017 to introduce regulations concerning cryptocurrency, including the introduction of a registration system for cryptocurrency exchange service providers. Subsequently, several cryptocurrency exchange service providers experienced problems such as the loss of assets due to hacking, and insufficient money laundering measures. Consequently, the regulations were reviewed, and in May 2019, amendments to the Payment Services Act were enacted and came into effect in May 2020, in response to the growing diversity in financial transactions that accompanied advances made in information communication technology. The amendments include the name change of the term “cryptocurrency” to “crypto-assets,” the change in definition of investment-type STO tokens into marketable securities, and regulations for business operators engaging in operations related to crypto-assets.</p>
<p>Industry 4.0/ Society 5.0</p>	<p>Industry 4.0, is a concept that originated in German, and it refers to the fourth industrial revolution, which follows after the third industrial revolution where automation was progressed by the development of computers, etc. The goal of the fourth industrial revolution is the creation of “smart factories” primarily in the manufacturing industry, which involves substituting worker activity with AI and the IoT.</p> <p>Society 5.0 is a concept that originated in Japan as a new form of society that follows after the information society (Society 4.0). The goal of the concept is to achieve the “super-smart city,” where intelligent systems such as 5G, AI and IoT assists not only in manufacturing, but also in all aspects of life. By doing so, social issues such as declining and aging populations, depopulation in regional areas and economic disparities may be resolved, while at the same time developing the economy.</p>
<p>Reduced Fees for Inter-bank Transfers</p>	<p>In April 2020, the Japan Fair Trade Commission published a report stating that the exclusion of fintech operators from banks’ settlement infrastructure could violate the antitrust law. Cases were reported in the past where the banks have demanded over-priced fees or asked for unfavorable terms, practically refusing the fintech operators to connect APIs to banks’ core systems. In addition, in terms of competition policy, the Japan Fair Trade Commission gave a request to further improve the level of inter-bank transfer fees, which have not changed in nearly 50 years, which is expected to improve convenience for users in the future.</p>
<p>Regional revitalization</p>	<p>Regional revitalization is one of the policies announced in September 2014 for the purpose of improving the vitality of Japan as a whole. Currently, the population decline in Japan and the excessive population concentration in the Tokyo metropolitan area are having a negative impact on the regional economy. For this reason, the government is promoting local economic development, to endeavor to create an independent and sustainable society in each region. More specifically, regional financial institutions, which have an impact on the local economy, are expected to contribute to the revitalization of the local economy through the support of companies and industries in each region. However, these regional financial institutions are also facing severe business conditions, since their primary customer base is limited to certain regions of Japan.</p>
<p>STO</p>	<p>A security token offering (STO) is a new funding mechanism through the issuance of tokens (substitute currency), which is an asset backed by value of various real assets, 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 the 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.</p>