

Glossary

This page provides supplementary material to help readers better understand 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, 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.
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 some 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.
Corporate succession issues	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.
Crypto asset (cryptocurrency)-related regulations	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 ST into marketable securities, and regulations for business operators engaging in operations related to crypto assets.
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 advantages of DeFi are that it is easy to partner with external services, users can manage their assets themselves, and transactions can be made transparently and at low cost. It is said that DeFi has the potential to completely change the way finance is done.
Regional revitalization	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.
STO	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.