

Glossary

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

<p>Alternative Investments</p>	<p>Alternative investments are investment targets and approaches that differ from more traditional assets, such as listed shares and bonds. The two main alternative investment categories are: 1) “alternative assets,” such as private equity (PE), private debt, real estate, and infrastructure; and 2) “alternative strategies,” which include pair trading, long-short strategy trading, and futures-based transactions. Since alternative investments generally have different risk-return profiles than traditional investment targets, adding them to an asset management portfolio usually helps to diversify risk. Alternative investments have attracted growing interest in recent years, and are now being incorporated into pension funds around the globe, including Japan’s Government Pension Investment Fund (GPIF).</p>
<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, 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.</p>
<p>DeFi</p>	<p>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, are now 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 AML/CFT, 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 a low cost. It is said that DeFi has the potential to completely change the way finance is done.</p>
<p>NISA/iDeCo</p>	<p>NISA, which stands for Nippon Individual Savings Account, is a tax-deferred system for small investments. Introduced in 2014, the program provides preferred tax treatment for individual investors. Annual investment limits and the tax-exempt holding period are specified, and within these restrictions, income and capital gains from stocks and investment trusts are eligible for tax exemptions. The term “iDeCo” stands for individual-type Defined Contribution pension plan. It applies to private pension plans that are operated in accordance with the Defined Contribution Pension Act, which was adopted and took effect in 2001. Since iDeCo is a pension plan designed to build assets for retirement, tax benefits are provided. A new NISA system was launched in January 2024, bringing numerous benefits to individual investors, including higher annual investment limits and an indefinite tax-exempt holding period. Also, iDeCo will have its contribution limit raised for some members in December 2024.</p>
<p>ST</p>	<p>A security token (ST) is a token (substituting for fiat currency) 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 STs 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 STs are subject to regulation under the Financial Instruments and Exchange Act. Security Token Offering, which raises funds through the issuance of STs, is attracting attention as a new funding mechanism.</p>
<p>Staking Service</p>	<p>Staking is a scheme in which crypto assets are locked up on a blockchain network in order to contribute indirectly to the stable operation of the blockchain, and in exchange, earn additional assets as compensation for doing so. To participate in block creation and authentication of transactions necessary to maintain the existence a blockchain network, a high level of expertise is typically required. However, by using a staking service provided by a crypto asset exchange, individual investors are also enabled to contribute indirectly to maintaining a decentralized blockchain. In recent years, the demand for crypto assets as a source of passive income has increased. Our Group companies, SBI VC Trade and BITPoint Japan, provide staking services to meet this growing demand.</p>
<p>Web3</p>	<p>Web3 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. Web3 is expected to solve these problems by using blockchain technology that enables decentralized management of transaction information among multiple users connected to the Internet.</p>