

「GFTN Forum Japan」
井藤長官基調講演
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Hello, everyone. I am Hideki Ito, Commissioner of the Financial Services Agency of Japan. Thank you very much for having me at the GFTN Forum Japan. For those of you visiting from overseas, welcome to Japan.

Some of you may think that Japan's financial regulations are complicated and difficult, or that the FSA is conservative and unfriendly to foreign business players. But that's not the case at least in my opinion. The FSA is committed to leading the way in financial innovation while managing risks effectively.

Today, I would like to share our initiatives as a “pro-innovation regulator.” I will focus on three key areas: ① Payments and Remittances, ② Digital Assets, and ③ AI.

First, let's talk about payments and remittances. Although Japan used to be a “cash country”, we now commonly use smartphones for sending money and making payments. It was only about 15 years ago that companies other than banks were allowed to do this kind of services, thanks to the creation of the 'Funds Transfer Service' licensing category.

After that, we continued to update the framework, including increasing the types of fund transfer services, to meet society's changing needs. Nowadays, we have seen many overseas fintech players enter the Japanese market, especially in the cross-border payment field.

Right now, we are discussing topics like easing certain rules for Type I Funds Transfer Service Providers that handle large-sum transfers. Going forward, we will continuously improve the regulatory environment.

Moreover, Banking-as-a-Service (BaaS) and “embedded finance” are developing rapidly. It’s becoming possible to access various financial services - payments, money transfers, asset management, insurance - with just a few taps on a smartphone app.

We are really looking forward to seeing services that make people’s lives easier and richer.

Next, let me talk about digital assets, such as crypto assets, stablecoins, and tokenization.

About ten years ago, when Mt. Gox, which was the world’s biggest Bitcoin exchange at the time, went bankrupt, many users lost Bitcoin. At that time, we could have chosen to say, “Crypto assets are risky, let’s ban them.” However, we believed in the potential of blockchain and decided to support its healthy growth.

Since then, we have built a comprehensive regulatory framework for crypto assets, stablecoins, and digital securities ahead of many other countries. As a result, when FTX went bankrupt in 2022, Japanese users were protected more than those in almost any other countries.

We are now discussing a new intermediary framework so that crypto assets can be handled more easily. We have also been discussing how crypto assets should be treated as an investment asset since last autumn.

Regarding stablecoins, the very first intermediary was just registered today. Looking to the future, we are

considering relaxing regulatory requirements on reserve asset management. We hope that stablecoins issued in Japan or overseas will be used for the betterment of remittances and payments.

The progress of tokenization, such as digital securities, tokenized deposits, and real-world assets (RWA) is also important. The outstanding amount of digital securities is now about 140 billion yen. We look forward to further market development, including the expansion of secondary market.

As you can see, blockchain technology has a lot of potential. We have a framework to support your experiments, so please feel free to contact us.

The third topic is AI.

AI has gone through cycles of boom and disappointment many times. But with the emergence of Generative AI, at last it seems to have entered a phase where it's being more broadly implemented in society.

One of the biggest barriers to entering the Japanese market is said to be the language, but technologies that were once considered distant future, such as multilingual real-time conversation, for example, using ear-mounted devices, may become a reality sooner than we think.

The language barrier is just an example. AI could fundamentally and dramatically change our daily lives and business models in many industries, including financial services. If AI truly transforms financial services and changes the business models, it might completely reshape competitive landscape in the market.

Given this situation, we believe this is a time to be

very aware of the “risk of not taking any risk”. The FSA will do our best to build an environment where AI can be used to offer better financial services.

Some businesses worry, “If we take risks by using AI, will the FSA punish us?”

Please rest assured that this is not the case. We encourage you to take bold steps, balancing risk and innovation. The FSA will help create a “safe harbor” for them to try new ideas, for example by clarifying regulatory expectations.

Against this backdrop, today we published our first comprehensive discussion paper on AI. This paper covers tangible use cases, examples of how to solve challenges, and the FSA’s policy direction.

We will also set up a Public–Private Stakeholder Study Group to continue discussions about improving the environment for AI in finance.

Various non–financial companies are moving into finance, and the line between financial and non–financial business is almost gone or at least has become blurred. We welcome leading companies—including overseas firms—from sectors like telecom, e–commerce, social networks, or even railways to bring their knowledge into the financial space.

Some view this as a battle between established players and newcomers. But in Japan, these disappearing borders are increasing cooperation among businesses. We see many banks teaming up with Fintech companies to offer more advanced and customer–oriented financial services.

As customers’ needs become more diverse, no single company can meet all of their needs alone. We hope to see

plenty of open innovation to make financial services even better.

The FSA serves both as a fair referee for the market and a cheerleader for innovation. Our job is to keep the playing field fair and cheer you on. Talking with Generative AI about new business ideas can be fun and exciting, but please also feel free to come to us to discuss your business ideas.

The future of finance depends on the creativity of everyone here. In ten years, we will likely see surprises and discoveries beyond our imagination. That is why I encourage you to challenge yourselves without fearing failure.

The FSA do not seek to protect current systems themselves or vested interests as untouchable. We aim to contribute to the realization of an economic and social environment where people can lead better lives. Let us take on these challenges together. Thank you very much for listening.