Main points of the "Report on the development of regulations regarding payment and settlement and cross-sectoral financial services intermediaries－basic concept" (published on July 26, 2019)

1. Payment and Settlement

Background

- The following factors are making it necessary to review payment and settlement legislation.
  - It is required to meet the demands of users accompanying the development of cashless settlements and to achieve more convenient money transfer service in a safe, secure manner.
  - Advances in information technology are changing ways to provide and use payment and settlement instruments and services.
  - In the ten years since the legislation of the Payment Services Act, the actual state of the provision and use of payment and settlement instruments and services, as well as the risks of businesses carrying them out, have been more specifically identified.

Basic Concept

(1) Money Transfer Service

- Under the current regulations, a money transfer service provider cannot handle exchange transactions of JPY one million or above.

  ⇒ On condition of ensuring adequate user protection,
  - Develop a new category of money transfer service provider that can handle exchange transactions of JPY one million or above.
  - Ease regulations on businesses that handle only small sum exchange transactions.

(2) Post Payment Service

- Rationalize regulations on post payment service in a risk-based manner, especially regarding small-sum lending, while paying attention to the prevention of excessive lending.

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2. Cross-Sectoral Financial Services Intermediaries

Background

- In order to promote innovation and to enhance the usability of financial intermediation services, it would be worth considering a legal framework for cross-sectoral financial intermediaries that deal with various financial products and services offered by various financial institutions.

Basic Concept

⑴ Regulation of entry

- The regulation of entry for cross-sectoral financial intermediaries could be designed to avoid imposing excessive burden on intermediaries with different registration requirements depending on financial products and services they deal with.
- At the same time, it is important to ensure that conduct regulation should be fit for purpose, taking into account different characteristics among varying financial sectors.
- It should be also noted that the roles of financial intermediaries could vary between online brokerages and face-to-face brokerages.

(2) Affiliation

- The affiliation system requires that financial intermediaries belong to and be monitored by a financial institution. The system may not necessarily suit cross-sectoral intermediaries, as they have to be monitored by a large number of financial institutions for which they provide brokerage services.
- In light of customer protection, alternative measures should be explored to ensure sound operations and a solid base for the compensation of intermediaries, such as limiting their activities and imposing financial requirements.