

---

CHAMBERS GLOBAL PRACTICE GUIDES

---

# Banking Regulation 2026

---

Definitive global law guides offering  
comparative analysis from top-ranked lawyers

## **Japan: Law and Practice & Trends and Developments**

Tomoyuki Tanaka, Henry Tan,  
Keisuke Hatano and Takahiro Hikida  
Anderson Mori & Tomotsune



# JAPAN



## Law and Practice

### Contributed by:

Tomoyuki Tanaka and Henry Tan  
**Anderson Mori & Tomotsune**

## Contents

### 1. Legal Framework p.4

1.1 Key Laws and Regulations p.4

### 2. Authorisation p.4

2.1 Licences and Application Process p.4

### 3. Changes in Control p.5

3.1 Requirements for Acquiring or Increasing Control Over a Bank p.5

### 4. Governance p.6

4.1 Corporate Governance Requirements p.6

4.2 Registration and Oversight of Senior Management p.6

4.3 Remuneration Requirements p.7

### 5. AML/KYC p.7

5.1 AML and CFT Requirements p.7

### 6. Depositor Protection p.8

6.1 Deposit Guarantee Scheme (DGS) p.8

### 7. Prudential Regime p.8

7.1 Capital, Liquidity and Related Risk Control Requirements p.8

### 8. Insolvency, Recovery and Resolution p.9

8.1 Legal and Regulatory Framework p.9

### 9. ESG p.10

9.1 ESG Requirements p.10

### 10. DORA p.10

10.1 DORA Requirements p.10

### 11. Horizon Scanning p.11

11.1 Regulatory Developments p.11

**Anderson Mori & Tomotsune** is a full-service law firm formed by the combination of three leading law firms in Japan: Anderson Mori (one of the largest international firms in Japan, well known for serving overseas companies doing business in Japan since the early 1950s), Tomotsune & Kimura (well known for its expertise in international finance transactions), and Bingham Sakai Mimura Aizawa (a premier international insolvency/restructuring and crisis manage-

ment firm). The firm is proud of its long tradition of serving the international business community, and of its reputation as one of the largest law firms in Japan. Its combined expertise enables the firm to deliver comprehensive advice on virtually all legal issues related to corporate transactions. The majority of its lawyers are bilingual and experienced in drafting and negotiating across borders and around the globe.

## Authors



**Tomoyuki Tanaka** is a partner at Anderson Mori & Tomotsune and has been involved in various types of financial transactions including financial regulatory issues in relation to payment services and e-commerce

as well as banking and securities, securitisations of real properties and receivables, private finance initiatives and syndicated loans to operating companies and investment corporations. He has been a member of the Financial Law Board since January 2017.



**Henry Tan** is special counsel at Anderson Mori & Tomotsune. He is a Singapore-qualified lawyer with experience in finance, corporate M&A, capital markets, private equity funds and reinsurance matters. He advises

multinational corporations, SMEs, financial institutions and insurance cedants. In corporate M&A, Henry has advised on various general corporate and commercial matters.

---

## Anderson Mori & Tomotsune

Otemachi Park Building  
1-1-1 Otemachi  
Chiyoda-ku  
Tokyo 100-8136  
Japan

Tel: 81-3-6775-1218  
Fax: 81-3-6775-2218  
Email: [tomoyuki.tanaka@amt-law.com](mailto:tomoyuki.tanaka@amt-law.com)  
Web: [www.amt-law.com](http://www.amt-law.com)

**AMT** / **ANDERSON MORI  
& TOMOTSUNE**

## 1. Legal Framework

### 1.1 Key Laws and Regulations

#### Banking Act

The principal legislation regulating local banks in Japan, including bank holding companies and foreign bank branches in Japan, is the Banking Act (Act No 59 of 1981, as amended; “the Banking Act”). The Banking Act, among others, governs the following matters in respect of local banks: licensing; organisation and governance; business scope; customer protection; prohibited acts; capital adequacy; business scope of subsidiaries and shareholders; accounting; disclosure; and procedures of mergers and acquisitions.

The Financial Services Agency of Japan (FSA), which is the regulator of local banks in Japan, issues various guidelines (“the Guidelines”) concerning banking activities. Local banks are, in practice, required to comply with the Guidelines and may be subject to administrative actions in cases of non-compliance.

#### Financial Instruments and Exchange Act

Local banks in Japan may engage in securities-related services within the prescribed scope. Local banks in Japan are, in principle, required to obtain a licence from the FSA if they wish to provide securities-related services in the country. This licensing requirement is an addition to the banking licence that banks in Japan must obtain to provide banking services. Registered banks are permitted to provide a wide range of securities-related services, including brokerage of government bonds. However, they are not permitted to conduct certain categories of securities-related business, including underwriting of corporate bonds and stocks, but must have a securities firm as their subsidiary to engage in these types of operations. The key legislation regulating banks’ provision of securities-related services is the Financial Instruments and Exchange Act (Act No 25 of 1948, as amended; “the FIEA”).

#### Regulatory Body

The principal regulator that exercises oversight of local banks in Japan is the FSA, and its authority to supervise local banks is delegated to it by the Prime Minister. The FSA supervises banking activities (including the securities-related businesses), issues banking licences, and imposes administrative adviso-

ries (eg, business improvement orders and business suspension orders) on local banks for wrongdoing, lack of adequate internal control systems and/or lack of adequate capital.

Off-site monitoring and on-site inspections of local banks in Japan are also primarily performed by the FSA. Inspections of banks’ securities-related services, on the other hand, are conducted by the Securities and Exchange Surveillance Commission of Japan.

## 2. Authorisation

### 2.1 Licences and Application Process

No person is allowed to engage in “banking business” in Japan or with a person in Japan without having first obtained a banking licence from the FSA. Such business refers to: (i) the acceptance of deposits and lending of funds (including discounting of bills or notes); or (ii) the conduct of fund remittance transactions. Registration as a money lender under the Money Lending Business Act (Act No 32 of 1983) would suffice in the case of a person who engages only in the lending of funds. Registration as a fund service under the Payment Services Act (Act No 59 of 2009) would also suffice for person who only engages in fund remittance transactions subject to certain limitations.

With regard to foreign banks, there are two ways by which a foreign bank may engage in the Banking Business in Japan. The first is to establish a local subsidiary or a local affiliate in the form of a stock company (*Kabushiki kaisha*). The second is to establish a foreign bank branch in Japan, obtaining a banking licence for it.

As mentioned above, local banks in Japan are, in principle, required to obtain a licence from the FSA if they wish to provide securities-related services in Japan in addition to the usual banking licence that they are required to hold, and are required to have a subsidiary securities firm to engage in securities-related business because the scope of securities-related businesses in which they can engage is restricted.

The Banking Act is premised upon the separation of “banking” and “commerce”. Under the Banking Act,

banks are only permitted to engage in core banking activities (ie, deposit-taking, lending and funds remittance), a limited scope of businesses ancillary to banking activities, and certain securities-related businesses specified in the Banking Act. Under the Banking Act, such businesses, which are considered ancillary to banking activities, include, among others, guaranteeing obligations, securities lending, and acquiring and transferring monetary claims. Further, the scope of such ancillary business has been expanded following amendments to the Banking Act and relevant regulations, including the Guidelines. Recent amendments have made to the Banking Act to clarify that the following constitute ancillary business: (i) services that support the livelihood of customers; (ii) IT systems and applications originally developed by banks for internal use; (iii) data analysis, marketing and advertising services; (iv) temporary staffing services; and (v) consulting and business-matching services.

Anyone seeking a banking license must apply and submit supporting materials (such as articles of incorporation and a certificate of registered information in respect of the company) to the Prime Minister through the Commissioner of the FSA.

The Prime Minister will endeavour to decide on the application within one month from receipt of the official application. In practice, however, a preliminary consultation with the FSA and a review of the draft application will be conducted before submission of the application. During the preliminary consultation and review process, the government will scrutinise the application for the purposes of determining whether it meets the relevant requirements. There is no stated statutory period for the duration of the preliminary consultation and review.

## 3. Changes in Control

### 3.1 Requirements for Acquiring or Increasing Control Over a Bank

Shareholders of local banks may be subject to regulation pursuant to the Banking Act if they qualify as “principal shareholders” or “bank holding companies”.

A principal shareholder is defined in the Banking Act as a shareholder who has obtained the approval from the regulator to acquire and hold 20% (or, if certain conditions apply, 15%) or more of the voting rights of a local bank. A bank holding company is defined in the Banking Act as a company that has obtained the approval from the regulator for: (i) acquiring and holding shares in its Japanese subsidiaries for a price exceeding 50% of the total assets of the company itself; and (ii) that holds more than 50% of the voting rights in a local bank. A shareholder that constitutes a bank holding company will be subject to regulations applicable to a bank holding company rather than a principal shareholder.

Any legal entity that wishes to become a bank holding company must obtain the prior approval of the FSA. Approval as a bank holding company is granted at the sole discretion of the FSA.

In principle, the criteria required to be met to obtain approval as a bank holding company include the following:

- the ability to generate income and pay for its own and its subsidiaries’ operating expenditure;
- capital adequacy;
- sufficient knowledge and experience among relevant personnel; and
- sufficient social credibility.

A bank holding company is subject to strict regulations compared to those applicable to a bank “major shareholder”. Pursuant to the Banking Act, the regulations applicable to a bank holding company include, among others:

- restrictions on the permitted scope of the business of a bank holding company and its subsidiaries;
- governance requirements;
- capital adequacy requirements; and
- disclosure requirements.

Any person wishing to be a principal shareholder must obtain prior approval from the FSA. Additionally, the following criteria must also be satisfied:

- (in light of matters concerning funds for the acquisition of shares, the purpose of holding shares in the local bank, or other matters concerning the holding of shares) there must be no risk of impairment to the sound and appropriate management of the business of the local bank;
- (in light of the property, income and expenditure of the person and his or her subsidiaries) there must be no risk of impairment to the sound and appropriate management of the business of the local bank; and
- the person must have sufficient understanding of the public nature of the local bank's business and must also have sufficient social credibility.

A principal shareholder may be required by the FSA to submit reports or materials, be inspected by the FSA at its offices, be required to respond to questions put by the relevant FSA officer, and be required to present its accounting books and other documents to the FSA for inspection. A principal shareholder that fails to meet any of the conditions imposed by the FSA may be subject to any action that the FSA may order the bank's principal shareholder to take as it deems necessary. Furthermore, a principal shareholder with more than 50% of the voting shares of a local bank may be ordered by the FSA to submit an improvement plan, or otherwise take such measures as the FSA deems necessary to ensure the sound and appropriate management and operation of the local bank.

Other than the above, pursuant to the Foreign Exchange and Foreign Trade Act, foreign investors that acquire shares in a local bank may be subject to certain requirements, such as notification requirements.

## 4. Governance

### 4.1 Corporate Governance Requirements

Under the Banking Act, a local bank must have a board of directors and accounting auditors. Additionally, pursuant to the Companies Act, a local bank must have: (a) a board of corporate auditors; or (b) a subcommittee of the board of directors (comprising either: (i) an audit and supervisory committee; or

(ii) an audit committee, remuneration committee and appointment committee).

Pursuant to the Banking Act, directors and executive officers engaging in the ordinary operations of a local bank must have the knowledge and experience to be able to manage and operate the bank appropriately, fairly and efficiently. Additionally, they must have sufficient social credibility. Furthermore, the Guidelines stipulate the appropriate governance system for local banks. For example, representative directors of local banks with a board of corporate auditors must:

- take command of the establishment and maintenance of the bank's internal compliance framework;
- make risk management a primary concern;
- establish an adequate internal control framework for proper disclosure of the bank's corporate information to the public; and
- ensure that appropriate internal audits are performed on the bank.

The Board of Directors of a local bank must:

- proactively oversee the performance of the bank's representative directors;
- establish and review the bank's business management plans in line with the bank's business objectives;
- establish a clear risk management policy by taking certain objectives into consideration; and
- ensure appropriate performance and review of internal audits of the local bank.

The Guidelines also require listed banks or listed bank holding companies comply with Japan's Corporate Governance Code published by the Tokyo Stock Exchange. In light of this, listed banks should appoint at least two independent outside directors who are able to contribute to the bank's sustainable corporate growth and corporate value.

### 4.2 Registration and Oversight of Senior Management

Pursuant to the Banking Act, a local bank must file a notification with the Prime Minister when a director representing the local bank or a director engaging in

the ordinary business of the local bank is appointed or resigns. As mentioned above, pursuant to the Banking Act, directors and executive officers engaging in the ordinary operation of a local bank must have both sufficient social credibility and the requisite knowledge and experience to manage and operate the bank appropriately, fairly and efficiently.

Under the Banking Act, a director who is engaged in the ordinary operation of a local bank may not engage in the ordinary operation of any other company without the authorisation of the Prime Minister. Such authorisation will not be granted unless the Prime Minister is of the view that such double-hatting is unlikely to interfere with the sound and appropriate management of the local bank.

#### 4.3 Remuneration Requirements

The Banking Act does not contain express stipulations with respect to matters of remuneration. Nevertheless, in line with discussions at the Financial Stability Board (FSB), the Guidelines impose general requirements on local banks established in Japan and branches of foreign banks to establish systems that ensure appropriate remuneration of management and employees in light of the need to avoid excessive risk-taking.

Further, pursuant to the Banking Act, all local banks must disclose matters concerning remuneration in their business reports, including:

- the internal committee or governance body that determines or otherwise supervises the determination of remuneration;
- matters concerning the evaluation of remuneration systems and the operation of such systems;
- consistency between remuneration systems and risk management, and performance-linked remuneration; and
- other matters concerning remuneration systems.

A listed bank is required under the FIEA to publicly disclose the remuneration given to each of its directors if the aggregate annual remuneration of directors exceeds JPY100 million.

## 5. AML/KYC

### 5.1 AML and CFT Requirements

The Act on Prevention of Transfer of Criminal Proceeds (“APTCP”), which is the primary legislation regulating AML and CFT, requires local banks to conduct the following due diligence on customers.

#### Verification at the Time of Transaction

The APTCP requires local banks to verify the following items at the time of specific transactions:

- identity of customers, including their names, domiciles, dates of birth documents;
- the purpose of the relevant transaction;
- customers’ occupations (in case of natural persons) and the nature of their businesses (in case of juridical persons); and
- information on the beneficial owner(s) of customers (in case of juridical persons) by verification methods such as asking customers to present documents of identification.

This verification is required at the time of specific transactions, which include, among others, the opening of deposit accounts, cash transfers of more than JPY100,000 and money-lending.

Pursuant to the APTCP, local banks are required to prepare and preserve records of the verified information collected at the time of transactions and the measures taken to verify customers for seven years from the day of termination of the relevant transactions. Local banks are also required to prepare and preserve the records of transactions for seven years from the day of commencement of the relevant transactions.

Local banks must determine whether property accepted from a customer is suspected to have come from criminal proceeds in light of the results of verification at the time of a transaction and other circumstances, considering the recommendations of the National Risk Assessment of Money Laundering and Terrorism Financing Report published by the National Public Safety Commission every year. If property accepted from a customer is suspected, based on the results of verification at the time of transaction and other cir-

cumstances, to have come from criminal proceeds, or the customer is suspected of committing a certain crime, local banks must promptly report the transaction to the FSA. The FSA, upon receipt of the report, will promptly notify the National Safety Commission. If the National Safety Commission believes such information to be useful for investigation of criminal cases conducted by public prosecutors, the police or other investigators, it will disseminate such information to the investigators.

The FSA published the Guidelines for Anti-Money Laundering and Combating the Financing of Terrorism (“AML/CFT Guidelines”) to clarify the Japanese government’s basic stance on risk management practices against money laundering and terrorism financing to encourage financial institutions to improve their internal systems for prevention of money laundering and terrorism financing. Based on the risk-based approach recommended by the Financial Action Task Force (FATF), the AML/CFT Guidelines clarify “required actions”, which, if not taken, may result in administrative actions being imposed by the FSA, such as the issuance of reporting orders and business improvement orders against offenders. The AML/CFT Guidelines also stipulate the management systems and actions expected to be implemented by each financial institution, such as formulation of “plan-do-check-act” (or PDCA) procedures. This is to ensure the involvement and understanding of management in such prevention measures, and to define the respective roles and responsibilities of the business, system control and internal audit divisions. The FSA has additionally provided clarification on the manner in which it will monitor the implementation of such actions. In this connection, the FSA has also provided examples of best practices based on its monitoring activities or from the experience of financial institutions overseas.

## 6. Depositor Protection

### 6.1 Deposit Guarantee Scheme (DGS)

Japan has a deposit insurance system that protects depositors in the event of a systemic failure in the bank sector. The Deposit Insurance Act (Act No 34 of 1971, as amended) provides for an insurance framework in respect of bank deposits in Japan. The Deposit Insur-

ance Corporation, which was established under the Deposit Insurance Act, provides a public safety net to protect depositors. Local banks headquartered in Japan are protected under this system. Annual insurance premium payments are made by insured banks to the Deposit Insurance Corporation.

The insurance coverage is subject to certain limitations, including the following:

- the deposit insurance system primarily covers ordinary deposits and does not cover foreign currency or derivative deposits; and
- while deposit accounts for settlement purposes generally receive full coverage, other insured deposit accounts are generally covered up to JPY10 million per person and per bank.

## 7. Prudential Regime

### 7.1 Capital, Liquidity and Related Risk Control Requirements

The framework for regulating local banks’ capital adequacy under the Banking Act has been amended to be in line with the implementation of Basel III.

Local banks with international operations are required to maintain a minimum Common Equity Tier I ratio (CET1) of 4.5%, a minimum Tier I ratio (including AT1) of 6% and a capital adequacy ratio (including Tier II ratio) of 8.0%, pursuant to the administrative notice published by the FSA, which is in line with the Basel III regulatory framework.

Meanwhile, local banks without international operations are required to maintain a core capital ratio of 4% (on both a non-consolidated and consolidated basis), and those banks employing the IRB approach are required to have a core capital ratio of 4.5%.

The leverage ratio of local banks with international operations must be kept at 3.15% (or 3.20% in case of G-SIBs) or higher following the amendments to the relevant regulations that came into force in April 2024. Further, a leverage buffer (of about 0.5-0.75% for Japanese G-SIBs) has been applicable to G-SIBs since 2023. When a local bank’s ratio falls below this level,

the FSA can issue an early corrective action order to the local bank.

Liquidity requirements concerning the Liquidity Coverage Ratio and Net Stable Funding Ratio have been introduced in line with the implementation of Basel III. Both the Liquidity Coverage Ratio and Net Stable Funding Ratio must be kept at 100% or higher. These requirements apply only to local banks with international operations.

Further, the capital conservation buffer (2.5%), the countercyclical buffer (2.5% maximum, 0% in Japan at present) and the G-SIBs/D-SIBs buffer (3.5% maximum, and 0.5 to 1.5% for each local bank (G-SIBs/D-SIBs) selected in Japan at present) have been phased in for local banks with international operations. G-SIBs are also required to meet the total loss-absorbing capacity requirement.

## 8. Insolvency, Recovery and Resolution

### 8.1 Legal and Regulatory Framework

The legal framework for the liquidation of banks is provided in the Deposit Insurance Act, which classifies liquidation procedures into the following three categories:

- ordinary procedures, which are resolution regimes;
- procedures for financial crisis management, which are essentially bail-out regimes for the protection of bank deposits; and
- procedures under an orderly resolution regime, based on the “Key Attributes of Effective Resolution Regimes for Financial Institutions” adopted by the FSB, involving an arrangement which largely parallels a bail-in scheme.

The Deposit Insurance Corporation performs the main role of protecting depositors and the entire financial system in the process for liquidation of banks.

#### Ordinary Procedures

In principle, an ordinary liquidation procedure should apply unless failure of the local bank is systemically important. Under ordinary procedures, only a certain amount of deposits (usually JPY10 million per deposi-

tor) is protected under the deposit insurance system. Ordinary procedures fall under two categories, as follows.

- **Payout Method:** This is where deposits are paid off directly to depositors through the Deposit Insurance Corporation’s deposit insurance funds. The failed local bank is subject to bankruptcy procedures, such as civil rehabilitation proceedings or corporate reorganisation proceedings.
- **Purchase and Assumption Method:** This is where all or part of the business operations of a failed local bank are transferred to an assuming financial institution. Under this method, a financial administrator is appointed to manage the failed local bank until its operations are transferred. The Deposit Insurance Corporation provides financial assistance (including monetary grants) within the scope of payout costs to ensure the smooth transfer of the local bank’s business.

Generally, the purchase and assumption method is preferred over the payout method, as the former would generally be better equipped to address the concerns of depositors and to avoid financial turmoil.

#### Procedures for Financial Crisis Management

The Deposit Insurance Act provides certain measures in cases where serious problems arise in maintaining the stability of the financial systems in Japan or in regions where a bank operates its business. These measures, which include capital injection, full deposit protection and temporary nationalisation, may be initiated subject to deliberation by the Financial System Management Council.

Capital injection is designed to allow a bank with positive net worth to increase the amount of its capital through subscription by the Deposit Insurance Corporation of shares in the local bank. Full deposit protection is provided for banks with a negative net worth coupled with suspension or possible suspension of repayment of deposits. Temporary nationalisation is used for banks with negative net worth coupled with suspension or possible suspension of repayment of deposits.

## Orderly Resolution Regime

The “Orderly Resolution Regime” was introduced by amendments to the Deposit Insurance Act in 2014. The purpose of such amendments is to implement the “Key Attributes of Effective Resolution Regimes for Financial Institutions” adopted by the Financial Stability Board. Under this regime, the Prime Minister can implement certain measures to prevent serious financial turmoil.

Under the Orderly Resolution Regime, the Prime Minister may, subject to consultation with the Financial System Management Council, take the following actions for financial institutions that are not experiencing a deficit in funds:

- impose oversight of the local bank’s management by the Deposit Insurance Corporation;
- provide liquidity support to fulfil the obligations of the financial institution; and
- order a capital injection.

For financial institutions experiencing a deficit in funds, the Prime Minister may:

- impose oversight of the local bank’s management by the Deposit Insurance Corporation;
- take over the management of the local banks’ business and assets under those circumstances specified in the Deposit Insurance Act; and
- transfer contracts that are necessary to maintain the stability of the financial system to a bridging bank, and provide financial assistance to the bridging bank to enable the performance of its obligations under those contracts.

The Orderly Resolution Regime is generally in line with the “FSB Key Attributes”, including recovery and resolution planning, temporary stay of early termination rights and implementation of a contractual bail-in mechanism.

## 9. ESG

### 9.1 ESG Requirements

The Banking Act does not require the satisfaction of ESG requirements by local banks. However, as not-

ed above, under the Guidelines, a listed local bank is required to comply with Japan’s Corporate Governance Code issued by the Tokyo Stock Exchange. Under the Corporate Governance Code, listed companies are required to establish a basic policy for and make disclosures regarding their sustainability initiatives.

Further, the FIEA was amended in 2023 to require listed companies to disclose certain sustainability-related matters in their annual securities reports and other disclosure materials. Accordingly, listed local banks are required, as a practical matter, to take ESG requirements into consideration in their disclosure documents.

In 2022, the FSA also published its “Supervisory Guidance on Climate-Related Risk Management and Client Engagement”. The guidance, which was published to enhance the development of initiatives to be taken by local banks, requires the management of climate-related risks by local banks as well as the support they should provide to their clients on the climate-related risks and opportunities relating to climate change.

## 10. DORA

### 10.1 DORA Requirements

The FSA has amended the Guidelines in efforts to strengthen the cybersecurity management of local banks and, as part of such efforts, also published the Guidelines for Cybersecurity in the Financial Sector in October 2024.

These Guidelines stipulate, among other things, that local banks should take the following measures:

- maintain a management system dedicated to cybersecurity;
- identify, evaluate and control cybersecurity risks;
- ensure the security measures of their internal systems;
- prepare contingency plans in anticipation of cybersecurity incidents; investigate cybersecurity incidents and prepare post-incident reports for the prevention of similar incidents; and
- control third-party risks.

## 11. Horizon Scanning

### 11.1 Regulatory Developments

Regulations regarding AML/Sanctions have been tightened following the Fourth Round Mutual Evaluation of Japan by FATF, which was published in 2021, in which Japan was rated as a country requiring enhanced follow-up. Following the evaluation report, the deadline for full compliance with the FSA's AML/CFT Guidelines was set for the end of March 2024. According to a report published by the FSA in June 2024, 99% of financial institutions have completed their compliance with the AMT/CFT guidelines based on reports from the financial institutions. However, as the on-site monitoring of the Fifth Round Mutual Evaluation of Japan by the FATF is planned in 2028, the Japanese government (including the FSA and the MOF) plans to ensure that the AML/CFT management systems of local banks are appropriate, and to enhance the AMT/CFT initiatives taken by local banks. To this end, the FSA may also provide updates to the AML/CFT Guidelines as it deems necessary.

Tightened regulations and engagement of the FSA may result in increased burdens on local banks to develop frameworks and personnel structures, or to invest in systems relating to AML/CFT. Local banks that fail to adapt to these tightened regulations will be exposed to regulatory risks, such as receipt of business improvement orders from the FSA.

## Trends and Developments

### Contributed by:

Takaharu Tosuka, Keisuke Hatano and Takahiro Hikida  
**Anderson Mori & Tomotsune**

**Anderson Mori & Tomotsune** is a full-service law firm formed by the combination of three leading law firms in Japan: Anderson Mori (one of the largest international firms in Japan, well known for serving overseas companies doing business in Japan since the early 1950s), Tomotsune & Kimura (well known for its expertise in international finance transactions), and Bingham Sakai Mimura Aizawa (a premier international insolvency/restructuring and crisis manage-

ment firm). The firm is proud of its long tradition of serving the international business community, and of its reputation as one of the largest law firms in Japan. Its combined expertise enables the firm to deliver comprehensive advice on virtually all legal issues related to corporate transactions. The majority of its lawyers are bilingual and experienced in drafting and negotiating across borders and around the globe.

## Authors



**Takaharu Tosuka** is a partner at Anderson Mori & Tomotsune and has been involved in various types of financial transactions including financial regulatory issues in relation to payment services and e-commerce

as well as banking and securities, securitisations of real properties and receivables, private finance initiatives and syndicated loans to operating companies and investment corporations. He has been a member of the Financial Law Board since January 2017.



**Keisuke Hatano** is a partner at Anderson Mori & Tomotsune and specialises in payment and settlement-related regulations. He has also been involved in a number of significant finance transactions,

including representing clients in cross-border and

domestic litigation. He was previously seconded to the Japanese Financial Services Agency (the JFSA), where he was an instrumental part of the team tasked with making amendments to the Banking Act. The amendments to the Banking Act were aimed at facilitating a pro-fintech ecosystem and environment in Japan. He also serves as a member of the committee on self-regulatory regulation of the Japan Association for Financial APIs, which is a body certified by the JFSA under the Banking Act.



**Takahiro Hikida** is an associate at Anderson Mori & Tomotsune. He has principally been involved in the fields of financial, corporate and commercial law, with an emphasis on domestic and cross-border financial regulatory issues, including Fintech, since joining the firm in 2022.

## Anderson Mori & Tomotsune

Otemachi Park Building  
1-1-1 Otemachi  
Chiyoda-ku  
Tokyo 100-8136  
Japan

Tel: 81-3-6775-1218  
Fax: 81-3-6775-2218  
Email: tomoyuki.tanaka@amt-law.com  
Web: www.amt-law.com



### Recent Developments in the Legal Framework for Stablecoins (Enforcement of the 2025 Amended Payment Services Act)

On 6 June 2025, the Act to Amend the Payment Services Act (the “PSA”, or the “amended PSA”) was brought into force. The amendment was proposed in response to the advancement of digitalisation in finance, and aims to promote innovation while ensuring user protection through revisions to: (i) regulations governing fund transfer and payment services; and (ii) regulations related to crypto-assets (Article 2, paragraph 14 of the PSA) and “Electronic Payment Instruments”, hereafter “EPIs” (so-called “stablecoins”; Article 2, paragraph 5 of the PSA). The enforcement date of the amended PSA must be specified by cabinet order within a period not exceeding one year from 13 June 2025.

This article focuses on the parts of the amendment concerning stablecoins, outlining the key changes, their impact on practice, and potential practical responses.

#### Stablecoins in Japan

The PSA defines an EPI as a property value that functions as a means of settlement and whose issuer promises redemption or performance in legal currency. Accordingly, stablecoins are treated as EPIs under the PSA.

EPIs are further classified into the following four types, depending on the issuer and the manner of issuance (each item of paragraph 5, Article 2 of the PSA):

- Category I EPIs – a property value (limited to currency-denominated assets which are recorded on an electronic device or any other object by electronic means, and excluding securities, electronically recorded monetary claims specified in Article 2, paragraph 1 of the Electronically Recorded Monetary Claims Act, prepaid payment instruments and other instruments specified in cabinet office ordinances as being equivalent to the foregoing items (except those specified in the cabinet office ordinances taking into account their transferability and other factors)) which can be used in relation to unspecified persons for the purpose of paying consideration for the purchase or leasing of goods or the receipt of provision of services, and can also be purchased from and sold to unspecified persons acting as counterparties, and which can be transferred by means of an electronic data processing system (except those that fall under the third bullet point below);
- Category II EPIs – a property value which can be mutually exchanged with those set forth in the preceding item with unspecified persons acting as counterparties, and which can be transferred by means of an electronic data processing system;
- Category III EPIs – specified trust beneficial interests; and
- Category IV EPIs – those specified by cabinet office ordinances as being equivalent to those listed in the preceding three bullet points.

As of the time of writing, no stablecoin falling under any of the four categories of EPIs has yet been issued in Japan.

However, with respect to the first EPI category, JPYC Inc., which was registered as a Type II Fund Transfer Service Provider (the “Type II FTSP”) in August 2025, was preparing for new issuance in 2025. For stablecoins issued by a Type II FTSP such as JPYC Inc., the following restrictions apply:

- the maximum amount per transfer must not exceed JPY1 million; and
- where the balance of EPIs held by a user exceeds JPY1 million, the issuer must establish a system to prevent the accumulation or retention of non-remittance funds (the so-called “funds retention regulation”) in accordance with Article 51 of the PSA and paragraph 2, Articles 30-2 of the Cabinet Office Ordinance on FTSPs.

In addition, certain trust banks in Japan are also preparing for issuance in connection with Category III EPIs. Unlike Category I EPIs, issued by a Type II FTSP, Category III EPIs can be issued without being subject to the transfer cap of JPY1 million or the funds retention regulation, and are therefore recognised as a more convenient and flexible.

Those who conduct any of the following activities involving EPIs as a business are required to obtain registration as service provider for EPIs (“EPIESP”) with respect to the following.

- the sale, purchase and exchange of EPIs.
- serving as an intermediary, brokerage or agency for the sale, purchase and exchange of EPIs.
- the management of EPIs. As of this publication, only one entity has been registered as an EPIESP in Japan, and the only EPI handled by this entity is the USDC. The USDC is defined separately from the above four categories of EPIs as a “Foreign Electronic Payment Instrument” (Article 30, paragraph 1, item (v) of the Cabinet Office Ordinance on Electronic Payment Instruments Exchange Service Providers).

Additional regulations apply to such instruments, including the funds retention regulation and transfer cap of JPY1 million per transaction (Item (vi)(b), paragraph 1, Article 30 of the same Ordinance).

## *Establishing a new intermediary business for stablecoins*

As described above, under the current PSA, business operators that provide web-based services such as game applications or unhosted wallets, and that direct users to the services of EPIESPs or Crypto Asset Exchange Service Providers (“CAESPs”, or, collectively “EPIESPs, etc”) may, depending on the manner of their involvement, be deemed to be engaged in “intermediation” under the PSA. Intermediation is generally understood to be the factual act of standing between parties and facilitating the formation of a legal act between them (Item (ii), paragraph 10, Article 2; Article 62-3; item (ii), paragraph 15, Article 2; and Article 63-2 of the PSA). If a business operator’s conduct constitutes “intermediation” under the PSA, the operator is required to obtain registration as an EPIESP.

In addition to the PSA’s requirement that EPIESPs, etc segregate users’ assets, the Act on Prevention of Transfer of Criminal Proceeds (the “APTCP”) also imposes obligations for the purpose of AML/CFT, including verifying customer identity at the time of transaction and filing reports on suspicious transactions. However, where a business operator’s conduct constitutes only intermediation in relation to EPIs or crypto-assets (collectively “EPIs, etc”) under the PSA, the operator does not become a party to the sale or exchange of the EPIs, etc, nor does it receive custody of users’ assets, such as funds or crypto-assets. Nevertheless, these operators are subject to the same obligations regarding safeguarding user assets and AML/CFT compliance, which can impose excessive burdens on their operations.

In response to the growing demand from business operators wishing to engage solely in the intermediation of sales or exchanges of EPIs, etc, the amended PSA introduces a new regulatory framework – the Electronic Payment Instruments and Crypto Asset Service Intermediary Business (the “Intermediary Business” or “Intermediary Business Operator”) – designed to balance the promotion of innovation with the protection of users.

Under this new framework, business operators who solely intermediate the sale or exchange of EPIs, etc

are only required to obtain an Intermediary Business Operator license, which is separate from the existing licenses of EPIESPs or CAESPs, and will be subject to more relaxed regulations. The key elements of the regulations applicable to the Intermediary Business Providers are as follows.

- Adoption of the Affiliation System (Item (vii), Paragraph 1, Article 63-22-3 of the Amended PSA, etc): An Intermediary Business Provider must be entrusted by a specific EPIESP, etc, and act on behalf of that entity to intermediate between users and the EPIESP, etc. The affiliated EPIESP, etc is required to: (i) supervise and guide the Intermediary Business Provider (Articles 62-11 and 63-9 of the PSA); and (ii) bear liability for compensation for damages caused to users by the Intermediary Business Provider (Article 63-22-14 of the amended PSA).
- Entry Regulation (Article 63-22-5 of the Amended PSA): No financial requirement is prescribed as a condition for registration as an Intermediary Business Operator. This is because the risk of compensation liability arising from the mismanagement of users' assets is limited for the Intermediary Business Operators. Furthermore, under the affiliation system, the affiliated EPIESP, etc is principally responsible for compensating users for any losses.
- AML/CFT: Obligations related to AML/CFT are imposed on the affiliated EPIESP, etc under the APTCP (items 32-2 and 32-3, paragraph 2, Article 2 of the APTCP). Accordingly, the Intermediary Business Providers themselves are not subject to AML/CFT obligations.

### *Relaxed restrictions on the management and operation of reserve assets for trust-type stablecoins*

Under the current PSA, for Electronic Payment Instrument III, the issuer is responsible for redemption only to the extent of the trust assets. Accordingly, if the value of the trust assets decreases, the amount redeemable by holders will also decline. To ensure that the value of the relevant trust beneficial interests remains linked to legal tender, and that redemption at face value is secured, the PSA requires that the entire amount of the reserve assets backing the specified trust beneficial interests be managed in demand

deposits (Article 3 of the Cabinet Office Ordinance on Electronic Payment Instruments Service Providers).

However, since Japan introduced its regulatory framework for EPIs, other major jurisdictions such as the US and the EU have adopted regulatory systems that allow reserve assets of stablecoins to be managed in instruments other than deposits, including government bonds. Consequently, Japan's approach has been criticised as lacking balance relative to international standards.

Considering these international developments, the amendment to the PSA allows reserve assets backing the specified trust beneficial interests to be managed, within a certain scope, in government bonds and other securities prescribed by the relevant cabinet office ordinance (paragraph 9, Article 2 of the amended PSA).

The specific requirements — such as the types of bonds that may be used, the upper limit of the proportion of such assets, and other detailed standards — are delegated to the relevant cabinet office ordinance under the PSA. According to the contents indicated in the Explanatory Material for the Bill to Amend the PSA (the “Explanatory Material”) issued by the Financial Services Agency of Japan (the “FSA”), it is expected that up to 50% of the total amount of issued stablecoins may be managed through: (i) Japanese and US government bonds with maturities or remaining terms of three months or less, or (ii) time deposits that can be terminated prior to maturity.

Furthermore, to ensure the preservation of principal, the relevant cabinet office ordinance is expected to provide that: (i) for Japanese and US government bonds with maturities or remaining terms of three months or less, the entrustor (EPIESP, etc) will be obliged to make additional contributions in cases where the value of the reserve assets decreases; and (ii) for time deposits that can be terminated before maturity, such management will be limited to cases where early termination fees do not reduce the value of the reserve assets.

## *Applying the travel rule to Category III EPIs*

When an EPIESP transfers an EPI at the request of a customer, it must notify another EPIESP or a foreign EPIESP of the identifying information of both the originating customer and the receiving customer (paragraph 1, Article 10-3 of the Organized Crime Proceeds Act – the so-called “Travel Rule”).

However, specified trust beneficial interests (Category III EPIs) are excluded from the scope of EPIs subject to the Travel Rule, and, therefore, the Travel Rule does not apply to such interests under the current provision (chapeau of paragraph 1, Article 10-2 of the APTCP). This exclusion stems from the legislative assumption made at the time of the 2022 amendment to the APTCP – namely that specified trust beneficial interests would be issued only through schemes utilising existing beneficiary certificate issuing trusts, in which the transfer of rights is carried out through amendments to the beneficiary register (ie, a permissioned blockchain structure). Under this model, the issuer can identify each holder’s name and address based on the beneficiary register, and therefore application of the Travel Rule to specified trust beneficial interests was deemed unnecessary.

However, following the enforcement of the 2022 amendment to the APTCP, projects have emerged seeking to issue specified trust beneficial interests without relying on beneficiary certificate issuing trusts – ie, using permissionless blockchains. From the perspective of money laundering and related risks, this has created a need to apply the Travel Rule to specified trust beneficial interests, in the same manner as Category I EPIs.

Accordingly, when transferring specified trust beneficial interests not based on beneficiary certificate issuing trusts, it is recommended that the sending and receiving of customer information be conducted by EPIESPs, etc through the application of the Travel Rule or similar mechanisms, and that authorities conduct appropriate supervision of such transfers.

## *Issuance of Category I EPIs by banks*

The FSA has expressed concern that the involvement of banks in stablecoins utilising permissionless blockchains could pose significant risks related to money laundering and the sound and proper operation of their businesses. Accordingly, the FSA’s position is that the issuance of EPIs by such entities requires cautious consideration.

Under the current legal framework, it is virtually impossible for any deposit-taking institution (mainly referring to banks) to issue Category I EPIs.

In addition, internationally, there are almost no examples of stablecoins issued by banks, and various risks, including money laundering and fraudulent use, have been identified.

Given the lack of market demand in Japan and the absence of concrete initiatives toward developing issuance schemes, the current policy taken by the regulator is to refrain from amending relevant laws for the time being, while closely monitoring domestic and international developments.

---

## CHAMBERS GLOBAL PRACTICE GUIDES

---

Chambers Global Practice Guides bring you up-to-date, expert legal commentary on the main practice areas from around the globe. Focusing on the practical legal issues affecting businesses, the guides enable readers to compare legislation and procedure and read trend forecasts from legal experts from across key jurisdictions.

To find out more information about how we select contributors, email [Rob.Thomson@chambers.com](mailto:Rob.Thomson@chambers.com)