GBBC Global Blockchain Business Council

JUST THE FACTS

GBBC is a non-profit focusing on education, partnerships and standards for the blockchain and digital assets community. GBBC does not lobby.

JAPAN'S PAYMENT SERVICES ACT (PSA) & FINANCIAL INSTRUMENTS AND EXCHANGE ACT (FIEA)

WHAT ARE PSA & FIEA?

Payment Services Act (PSA) - Japan's primary legislation governing payment services, funds transfers, crypto assets, and stablecoins. Originally enacted in 2009, it has undergone several amendments to address emerging financial technologies

Financial Instruments and Exchange Act (FIEA) - Japan's comprehensive securities law created in 2006, fundamentally reforming the Securities and Exchange Act of 1948. Covers traditional securities, derivatives, and investment services under a unified framework

REGULATORY BODIES

PRIMARY REGULATORS

Financial Services Agency (FSA): Primary regulator for registration, supervision, and enforcement

Japan Virtual and Crypto Assets Exchange Association (JVCEA): Self-regulatory organization for crypto industry

SUPPORTING ENTITIES

Ministry of Economy, Trade and Industry (METI): Regulates credit cards under Installment Sales Act

Local Finance Bureaus: Handle registration applications and supervise local providers

KEY REGULATORY MILESTONES

PSA EVOLUTION

JUNE 2009
PSA enacted, enabling non-banks to engage in fund transfer services (effective April 2010)

MAY 2016
PSA amended to regulate virtual currencies (effective April 2017)

JUNE 2019
"Virtual currency" renamed to "crypto assets" with enhanced customer protection (effective May 2020)

JUNE 2022
Stablecoin regulatory regime established, Travel Rule implemented (effective June 2023)

MARCH 2025
New amendments proposed for domestic asset retention and intermediary business

FIEA DEVELOPMENT

JUNE 2006
FIEA enacted, replacing Securities and Exchange Act

2008
Competitiveness enhancement amendments

2019
Amended to increase clarity on ICOs, STOs, crypto derivatives, and crypto market manipulation

2022-2024
Continuous updates for digital assets integration

APRIL 2025
Discussion paper considers bringing crypto assets further under FIEA

JUNE-SEPTEMBER 2025
JFSA presents updated discussion materials and report on review of crypto asset regulatory framework to Financial System Council

PSA: CRYPTO ASSET REGULATION

Crypto Asset Exchange Service Providers (CESPs)

- All CESPs must register with Financial Services Agency (FSA)
- 95% of customer assets in cold wallets, with equivalent amounts of provider's own assets for remaining balances
- Travel Rule implemented since June 2023 for crypto transfers

Stablecoin Framework

- Limited to licensed banks, fund transfer service providers, and trust companies in Japan
- Electronic Payment Instruments is a new regulatory category for stablecoins
- Framework for overseas-issued stablecoins through registered Japanese intermediaries

FIEA: SECURITIES FRAMEWORK

Four Pillars

Cross-Sectoral Legal System	Enhanced Disclosure	Self-Regulatory Functions	Strict Approach to Unfair Trading
Comprehensive framework for financial instruments	Quarterly reporting, internal control reporting (J-SOX), management certification	Appropriate management of exchange operations	Enhanced counter-measures against market manipulation

Expanded Scope

- **Securities Definition:** Includes trusts, collective investment schemes, STOs
- **Derivative Transactions:** Foreign exchange margin trading, crypto derivatives (2019)
- **Professional vs. General Investors:** Differentiated regulatory treatment

Prepared September 8, 2025; *Disclosure: AI Used*

KEY CRYPTO ASSET-RELATED UPDATES UNDER CONSIDERATION 2025

JFSA WORKING GROUP EXAMINATION (FALL 2024-PRESENT)

ASSESSMENT OF STATE OF CRYPTO ASSET TRANSACTIONS

- Acknowledges crypto assets' evolution as investment products, with 12.14 million user accounts and ¥5 trillion in customer deposits as of January 2025, and 7.3% ownership rate among experienced investors. Notes their potential as portfolio diversification tools provided an improvement in the investment environment.
- Notes the importance of the sound development of Web3 in addressing social needs and improving productivity, and that "the expansion of cryptoasset transaction based on blockchain technology can lead to the advancement of the digital economy."
- Addresses ongoing fraud concerns with 300+ monthly complaints to JFSA, emphasizing need for balanced regulatory approach protecting users while promoting innovation

CONSIDERATION OF REGULATORY RECLASSIFICATION

- Notes that because issues identified in crypto asset markets (information disclosure, investment fraud, fairness in price formation and trading) are problems traditionally addressed by FIEA, dealing with them under FIEA is an option
- Outside observers have noted that reclassifying crypto assets as financial products in this way could potentially enable Bitcoin ETFs and flat 20% capital gains tax treatment

TWO-CATEGORY CLASSIFICATION SYSTEM

TYPE 1 (FUNDRAISING/ BUSINESS ACTIVITY)

Crypto assets issued for fundraising with proceeds used for specific projects or community activities

- Would require issuer disclosure obligations for accurate information provision
- Exact scope of these disclosure requirements under consideration (only issuances involving broad retail investor solicitation?)

TYPE 2 (NON-FUNDRAISING/ NON-BUSINESS ACTIVITY)

Assets not falling under Type 1, including Bitcoin, Ether, and memecoins

- Places information provision responsibilities on crypto asset exchange service providers rather than on issuers
- Accommodates assets without identifiable specific issuers

STRATEGIC ALIGNMENT

Web3 Integration: Supports Japan's "New Capitalism Grand Design and Implementation Plan 2025" establishing Japan as a global leader in digital innovation and positioning Web3 technologies and digital assets as drivers of national economic growth and social problem-solving tools

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