

Summary

■ Definition of FinTech

- For the purposes of this report, FinTech is broadly defined as **“services and business fields that bring new innovations to traditional financial services (banking, securities, insurance, etc.) through technology (big data, AI, blockchain etc.)”**. Specifically, it includes services such as Overseeing of Funds (e.g., cloud accounting services), Remittance (e.g., electronic funds transfer), Fund raising (e.g., crowdfunding), Fund management (e.g., robo-advisors that utilize AI to provide asset management advice)
- In recent years, **financial businesses which utilize APIs have been increasing**, where individual financial functions such as settlement, deposits, and loans are provided as APIs (Application Programming Interface) and new financial services are created through the integrated use of these APIs.

■ Overview of the Global FinTech Market

- **The global FinTech market size is projected to reach 294.7 billion USD in 2023 and 1,152.1 billion USD by 2032**. The region with the largest market size is North America, while the region with the highest growth potential is the Asia-Pacific region.

■ Competitive Environment in Japan

- Japan's FinTech market is expected to grow primarily due to **aggressive promotion of FinTech technology by the government in administrative processes** and a **favourable regulatory environment**.
- **FinTech services such as asset management and digital payments have been widely adopted in Japan**. Services such as AI-based insurance selection and crypto assets are expected to be widely adopted in the future.
- Major FinTech companies in Japan are **conglomerates operating in technology-related industries, or large corporations operating in financial industries**. Overseas FinTech service providers in Japan **operate in a wide range of FinTech sectors**, from cryptocurrency trading platforms to crowdfunding, and **some have entered the Japanese market by acquiring Japanese firms that offer similar services**.

■ Regulatory Status and Future Policy Directions

- In Japan, under the “Payment Services Act” and the “Financial Instruments and Exchange Act”, financial companies operating in Japan must **register as "Financial Instruments Business Operators" with the Prime Minister and conduct business in compliance with obligations to protect personal information and disclose relevant information**.
- The Action Plan published by the FSA, it provided guidelines for **user protections for the adoption of generative AI in FinTech, inspection of cryptoasset systems and promotion of Web3.0 services, enhancement of the Zengin System infrastructure** etc.

■ Challenges and Incentives for adopting FinTech in Japan

- **Damage to financial systems from cyber attacks, lack of standardization in financial API specifications and strict regulations related to fund transfer limits** are hindering the widespread adoption of FinTech in Japan, and the government is taking actions to address them.
- The national and local governments are actively supporting the creation of an environment that makes it easier for overseas FinTech companies to enter the Japanese market, providing **financial assistance, legal services, and networking opportunities when they enter the Japanese market**.