

# RegTech in Japan

## Potential and needs

### Overview

The Japanese government pushes for the quick implementation of RegTech services and products.

This impulse is backed by **all major financial institutions**, that see in RegTech and FinTech key solutions to address systemic hurdles holding back the national economy and generate high costs.

A quick implementation of RegTech services and products is one of the major goals of the Japanese government in order to create the necessary environment for the **adoption of more effective FinTech services** and **improve international competitiveness of Japan** as place to invest and do business.

All major public and private actors agree that **IT literacy and education** is key to **spreading the adoption and use of RegTech tools**, among the public and private sectors but also large and small business as well as taxpayers.



“ « RegTech (...) is a concept not well known in Japan yet, but we think it is a crucial one for the future of our country and the world. (...) RegTech will change (them) to a great degree. »

**Naotoshi Okada,**  
President and CEO, Nikkei Inc.

While the general business environment is rather risk-adverse, Japanese financial actors are aware that their main **customer base will dramatically change** in the next 20 years, and that new, IT-smart customers will take over the current, elderly asset holders.

Such changes include switching to a cashless society (reduce reliance on cash and save up to **10 trillion yen of blocked value**, and make Japan more attractive to foreign tourists) and technologies that can guarantee the safety and security of such transactions.

Europe is a key example and partner for Japanese authorities in this sector: **The Bank of Japan** launched a joint research on the use of distributed ledger with the **European Central Bank**.



**BANK OF JAPAN**



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## Growth Potential

There is a significant progression of collaboration of Japanese financial institutions with tech companies: from **21% to 30%** between 2016 and 2017.

Among the biggest motivation factors to adopt FinTech and RegTech solutions, Japanese financial institutions list:

- Reduction of personnel costs (e.g. need for fewer compliance personnel),
- Reduction of IT infrastructure costs
- Use of Big Data and analytics
- Improvement of customer retention rate
- Work efficiency improvement

## Some RegTech Startups

**ANNAI**: UDAP - Universal Data Application Platform  
<https://annai.co.jp/>

**Chain tope + A-zero**: Regional creation by ICO to promote regional revitalization.  
<http://www.chaintope.com>

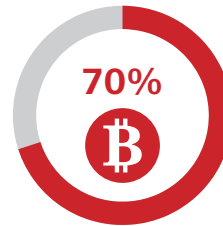
**GAIAX**: Online identity confirmation API  
<http://trustdock.io/business/>

**Japan Legal Network**: Automatically secures evidence of overtime hours using GPS.  
<http://legalnetwork.jp>

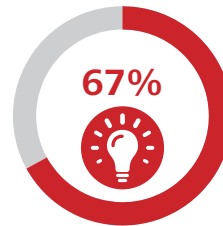
**KEYCHAIN**: Keychain/Global data provenance platform  
<http://keychain.jp>

**LegSea**: Contract preparation and electronic contract conclusion system on the cloud  
<http://www.holmes-cloud.com>

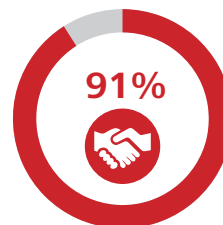
**Sound-F Japan**: Enabling point-based coupons deliver to wallet application on smartphones with blockchain technology  
<http://sound-f.jp>



**70%** of financial companies plan to adopt blockchain-based solutions by 2019



**67%** of financial companies are familiar with blockchain-based technology



**91%** of Japanese financial companies estimate that they will collaborate with fintech companies in the next 3-5 years.

Priorities of the Japanese government:

- Establishing a **comprehensive IT strategy** implementing tools related to e-government, open government, open data
- Adoption of cloud computing, and renovation of the entire government information system.
- Streamlining of IT infrastructure: Going from **1'450 different IT** systems inside the national government in 2012 to **549 in 2021**.  
Goal: **save up to 30%** in operation costs in the central government and local municipalities (about 120 billion JPY for the central government; 100 billion JPY for local municipalities).
- Promote partnerships with private sector to create services

# Opportunities for Swiss Companies

RegTech as a core sector identified by the Japanese government and all major financial actors to boost domestic economy.

- 1) A government aiming at becoming a world leader in the use of IT tech in its relations with its citizens and corporate world.
- 2) Several industries with an urgent need for new tech solutions (**security, Big Data analysis, cost control, efficiency, speed, lack of skilled human resources**, etc.)
- 3) A fragmented market where smaller actors can **create their own niche**
- 4) A desire and need to create tie-ups with tech companies, including from overseas
- 5) A necessity to adopt new, innovative technologies in the short term
- 6) Excellent image of Switzerland

## Want to Know More? Contact us!

While this paper is intended to provide an overview of this specific market and its opportunities at the time of its edition, each individual Swiss manufacturer and exporter should conduct their own research to get a better understanding of the possibilities and opportunities available.

Together with experienced industry specialists, the Swiss Business Hub Japan will help Swiss and Liechtenstein companies explore and develop their chances based upon customized and in-depth analysis. We can open doors to the Japanese RegTech sector and your potential partners.

Our team will help you decide on a suitable market strategy for Japan. We will prepare a service package based on your specific requirements and business priorities.

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