

Japanese Fintech Market: Securities / Asset Management

In the Japanese FinTech market, the securities (asset management) sector has a market size of 350 million USD (38.04 billion JPY) in 2019, and is expected to grow further. This report takes a look at the market size and notable developments of FinTech in the securities sector.

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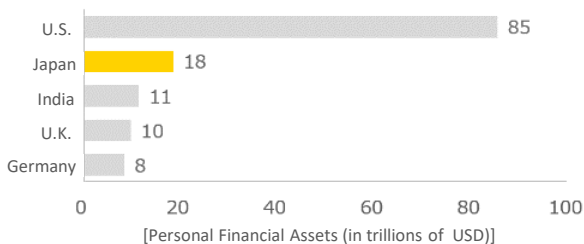
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1. Market Size, Growth Potential

The market size of asset management sector is increasing due to a growing needs for asset formation for post-retirement life and a rapidly expanding demand for financial transactions using digital channels.

In 2017, Japan's household financial assets totaled 17.3 trillion USD (1,949 trillion JPY), which is the second largest in the world. Of this amount, deposits and savings account for more than 50%; and if insurance products are included, the proportion rises to about 80%. This indicates that a large amount of household assets are being held in trust.

Top 5 Household Financial Assets in the World (by Country) ¹



In 2017, the number of affluent households in Japan was 1.27 million, the second largest in the world, and total net financial assets were as high as 2.7 trillion USD (304.2 trillion JPY).

*2

※Currencies converted as 1 USD = 112.67 JPY (Dec. 31, 2017)

Source:

1. Global Note, *Ranking and Trends of Personal Financial Assets in the World by Country*

2. Nomura Research Institute, *The number of affluent households in Japan is estimated to be 1.27 million, with total net financial assets of 299 trillion yen*, Dec.18, 2018

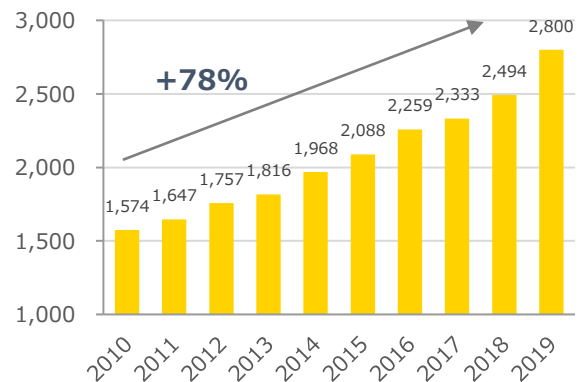
3. Japan Securities Dealers Association. *Results of the Survey on Internet Trading*, Dec. 4, 2019

4. *Sankei Shimbun*, *Asset management robo-advisors is projected to reach 2.6 million accounts by 2023*, Aug. 5, 2019

In addition, the market for Internet-based asset management has seen a growth in recent years. The number of Internet trading accounts in the securities industry grew from 15.74 million in 2010 to 28 million in 2019, an increase of about 78%.

Number of Internet Trading Accounts in the Securities Industry*³

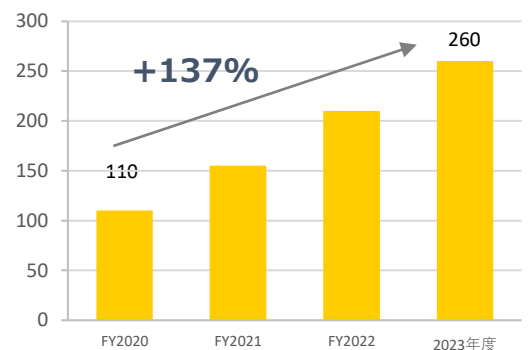
(10 thousands accounts)



The market for discretionary asset management robo-advisors is projected to grow by about 137% to 2.6 million accounts from 1.1 million accounts in 2020. The FinTech companies are expected to grow in the asset management sector.

Forecast for the Robo-Advisor (Discretionary Investment) Market Size⁴

(10 thousands accounts)



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2. Recent Trends in Each Sector

2-a. BtoC Business

The spread of the Internet and smartphones has broadened the scope of investment and asset formation to younger people and housewives, who are not the traditional customers of financial institutions. Under such circumstances, companies leveraging digital technology to manage assets are finding success.

For example, Money Design Co., Ltd., which provides THEO, a robo-advisory service using machine learning functions, creates and manages portfolios according to clients' risk propensities and life stages. The number of users has grown rapidly to 105,000 in five years since its launch in 2016.

Additionally, "FUNDINNO" operated by Japan Cloud Capital,inc provides a equity crowdfunding service that collects funds in small amounts from a large number of people on the Internet by issuing unlisted shares, and has acquired more than 50,000 users.

The expansion of such services will facilitate investment for more people, which is expected to further accelerate the use of FinTech in the field of asset management.



(<https://theo.blue/>)

(<https://fundinno.com/>)

2-b. BtoB Business

There is a growing trend among securities firms to use security tokens to manage securities on the blockchain.

For instance, SBI Holdings became the first company in Japan to launch a business related to security token offerings (STO) in 2020 and has raised 50 million JPY through STO.

The digitization of fundraising through the use of security tokens is expected to significantly reduce the cost of issuing and managing securities and simplify the process of listing them on exchanges.



3. Business Opportunities Created by Government Initiatives

Amendment to the Act Concerning Security Tokens and Crypto Assets Trading

Since security tokens conventionally had no legal definition, they were referred to as one sort of crypto-assets and traded in a gray zone.

After the amendment to the Financial Instruments and Exchange Act on May 1, 2020, security tokens have been recognized as a financial instrument subject to the said act with a clear legal definition eliminating the gray zone as a result.

This has allowed investors and issuers to trade security tokens on a legal basis and has created the ground to promote the trading of security tokens, which is expected to drive the spread of digital securities.

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Launch of "Financial Services Intermediary Business"

The government has been promoting FinTech-based asset management initiatives by passing the Act on the Amendment of the Financial Instruments and Exchange Act in June 2020 to deregulate the market.

Among other things, the launch of "Financial Services Intermediary Business" has consolidated the licenses that previously required registration for the provision of banking, securities, and insurance products and services, respectively.

This has enabled FinTech companies to offer a wide variety of products and services across sectors (see the table below), which is expected to encourage new foreign FinTech companies to enter the Japanese market and enhance the convenience of financial intermediary services.

Image of Products/Services That Can Be Handled

	Eligible	Not Eligible
Banks	<ul style="list-style-type: none"> Savings account Mortgage loans 	<ul style="list-style-type: none"> Structured deposit
Securities	<ul style="list-style-type: none"> Government bonds Listed stocks Investment trusts 	<ul style="list-style-type: none"> Unlisted stocks Derivatives instruments
Insurance	<ul style="list-style-type: none"> Personal accident insurance Travel insurance Golf insurance 	<ul style="list-style-type: none"> Variable insurance Foreign currency denominated insurance

4. Successful Cases of Foreign Companies Entering the Japanese market

TradingView

US-based TradingView provides financial charts and analysis tools for stock prices that can be used on mobile devices and web browsers, as well as social media that enables communication among investors, to individual investors, securities companies, and web media related to the financial industry in Japan.

The company has been officially supporting Japanese stocks on the Tokyo Stock Exchange since 2016 and established a sales and marketing office in Tokyo in 2018. With as many as 10 million users worldwide, the company is expected to contribute to the expansion of online securities trading, including crypto assets, in Japan.



(<https://jp.tradingview.com/>)

Quantifeed

Quantifeed, headquartered in Hong Kong, provides an infrastructure system for robo-advisors to financial institutions in Asia.

The platform offered by the company builds portfolios with funds, stocks, and ETFs, and proposes a wide range of asset management options in line with the needs of financial institutions and high-net-worth clients as consumers.

The company entered the Japanese market and established a sales office in Tokyo in 2019, aiming to strengthen its sales capabilities to institutional investors in Japan.



The **wealthcare** experts
 (<https://www.quantifeed.com/>)