

Launch of the Financial Service Intermediary Business

In June 2020, amendments to the law concerning the creation of intermediaries that can provide one-stop service in multiple industries (banking, securities, and insurance) were enacted, which took effect in November 2021. This allows for the intermediary business in all areas of banking, securities, and insurance with a single license of Financial Services Intermediary Business, enabling FinTech companies to expand their customer service. This report outlines the overview and background of the amendments and discusses the opportunities that the amendments may bring to foreign companies.

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1. Overview of the financial service intermediary business

1-a. Overview

- The "financial service intermediary business" refers to intermediaries that, under a single license, "provide a one-stop service for a wide variety of products and services offered by multiple industries and multiple financial institutions."
- Amendments were made to optimize the provision of one-stop services, such as making it possible to offer intermediary services in all areas of banking, securities, and insurance, only with a single license, unlike the existing intermediary business, which was vertically divided by business category.

Products and services that the financial services intermediaries can offer

	Banking	Securities	Insurance
Available	Savings account, Mortgage loans	Government bonds, Listed stocks, Investment trusts	Personal accident insurance, Travel insurance, Golf insurance
Not available	Structured deposit	Unlisted stocks, Derivatives instruments	Variable insurance, Foreign currency denominated insurance

1-b. Background

- Due to the need to obtain a license for each type of business, the number of intermediaries providing one-stop service for all banking, securities, and insurance to users was limited (Five companies as of March 2020).
- It has been difficult for financial service users to choose the most suitable one among various financial services, forcing them to experience inconvenience.

1-c. Developments related to the law enforcement

Enactment and enforcement of the "Financial Service Intermediary Business"

- In June 2020, the Act on Sales, etc. of Financial Instruments was renamed the "Act on Provision of Financial Services" and the "financial service intermediary business" was launched.
- The Act took effect on November 1, 2021.

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Two domestic companies registered as the financial service intermediary business operators

- Since after the enforcement of the act on November 1, 2021, two companies as follows have been registered as the financial service intermediary business operators and started the business.
- ① SBI NEOMOBILE SECURITIES Co., Ltd.
- SBI NEOMOBILE SECURITIES provides more approachable asset building services such as stock investment using *T Points (An incentive programme in Japan, which grants the awarding points according to the amounts of purchasing in affiliated shops etc.)* and subscription model pricing.
 - The company was registered as a financial service intermediary business operator on November 1, 2021, and launched operations on the following day. As the first financial service intermediary business operator in Japan, the company offers insurance intermediary services that accept application via the Internet.
- ② 400F INC.
- Four Hundred Franc operates an online money chat consultation platform, etc.

- The company registered on November 1, 2021, and began offering financial products and services in December 2021, after forming a partnership with SBI SECURITIES Co., Ltd. for the financial service intermediary business.

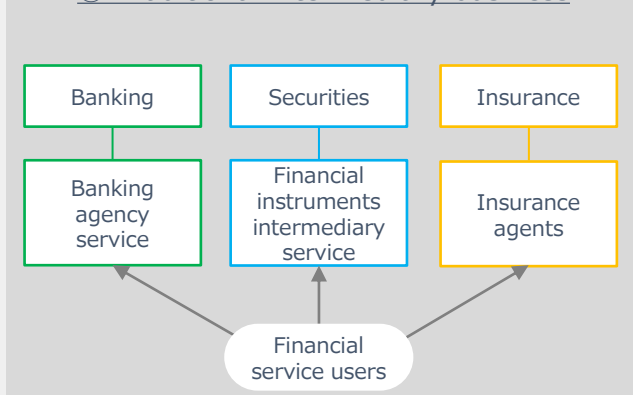
Accreditation of self-regulatory organizations, etc.

- The Japan Financial Service Intermediary Business Association was established on April 22, 2021. The association aims to promote and self-regulate the "financial service intermediary business" with a view to achieving highly convenient financial services, preventing unfair transactions and system risks from materializing, and ensuring legal compliance and user protection among the financial service intermediary businesses operators.
- On November 1, 2021, the Financial Services Agency (FSA) accredited this general incorporated association as a Certified Financial Service Intermediary Business Association. As a result, the Association became an officially recognized "self-regulatory organization, etc." as an industry organization that engages in self-regulation, etc.

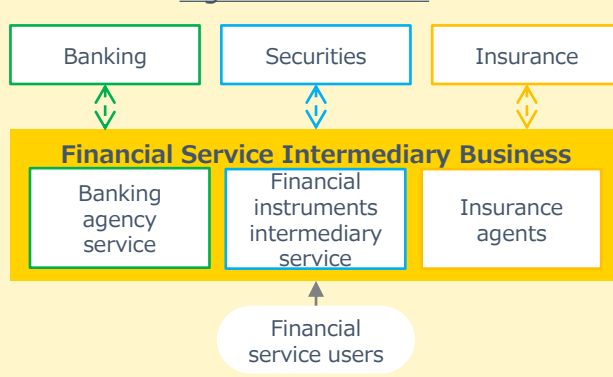
Intermediary business before and after the legislative revision (Image)

→ Approach from users — Affiliation <--> Partnership

① Traditional intermediary business



② Intermediary business after the legislative revision



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2. Potential opportunities for foreign companies

2-a. Business opportunities for FinTech companies

If FinTech companies themselves are registered as financial service intermediary businesses operators

- **Growing demand for platforms that can support the banking, securities, and insurance domains in a cross-sectional manner**

Traditionally, individual services have been provided for each domain such as banking, securities, and insurance; but there will be more business opportunities for platformers who can handle services across multiple industries.

If FinTech companies provide services to financial service intermediary businesses operators

- **Increasing demand for developing and providing services to new market entrants**

Opportunities to offer services to newcomers to the financial service intermediary business will arise in addition to services to traditional financial institutions.

- **Growing demand for services to address compliance risks**

Opportunities will be created to provide services that can address the compliance risks associated with information linkage by new entrants to the financial intermediary business.

2-b. Potential business opportunities

Based on the products and services that are approved under the Financial Service Intermediary Business scheme as mentioned in 1-a, the following are potential examples of business that may arise.

- New business responding to financial needs in daily life, such as providing services allowing users to easily check the balance and income/expense of their own deposit accounts through smartphone apps; introducing available loans based on the financial needs and asset status of the users ascertained through the smartphone app services; and comparing and recommending financial services suitable for each user's life plan
- Services accommodating various financial transaction needs for business, such as providing services to support the accounting and tax payment procedures of businesses through (cloud-based) accounting software and apps; identifying the financial needs, etc., of businesses based on the information on transactions and finances obtained through these services, conducting credit screening using AI-based models, etc. and recommending suitable loan products for the businesses from among the loan products of multiple banks and money lenders; and proposing group insurance for employee benefits and non-life insurance (liability insurance, etc.) to reduce business risks
- A business in which real estate agents provide mortgages and earthquake insurance along with properties

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3. Related links

Supervisory authorities, industry associations

- Financial Services Agency, Comprehensive Supervisory Guidelines for Financial Service Intermediary Business Operators (Japanese)
<https://www.fsa.go.jp/common/law/guide/kinsa/index.html>
- Japan Financial Service Intermediary Business Association (Japanese)
<https://jfim.or.jp/>

Related laws, regulations, etc.

- Act on Provision of Financial Services
<http://www.japaneselawtranslation.go.jp/law/detail/?id=3741&vm=04&re=01&new=1>
- Order for Enforcement of the Act on Provision of Financial Services
<http://www.japaneselawtranslation.go.jp/law/detail/?id=2068&vm=04&re=01&new=1>
- Cabinet Office Order on Financial Service Intermediary Business, etc. (Japanese)
<https://elaws.e-gov.go.jp/document?lawid=503M6000002035>

Sources:

Financial Service Agency, Bill for Partial Amendment to the Act on Sales, etc. of Financial Instruments for the Purpose of Enhancing Convenience and Protection of Financial Service Users, Mar. 2020 (Japanese)
<https://www.fsa.go.jp/common/diet/201/01/setsumei.pdf>

Financial Service Agency, List of licensed (registered) Financial Institutions, Nov. 2021
<https://www.fsa.go.jp/en/regulated/licensed/index.html>

[First in Japan] SBI NEOMOBILE SECURITIES Launches the Financial Service Intermediary Business, Nov. 2021 (Japanese)
https://www.sbineomobile.co.jp/image/info/press_211101.pdf

PRTIMES, Partnership in Financial Service Intermediary Business is Launched with 400F INC., Nov. 2021 (Japanese)
<https://prtimes.jp/main/html/rd/p/000000484.000007957.html>

Japan Financial Service Intermediary Business Association, Japan Financial Service Intermediary Business Association is Established, Apr. 2021 (Japanese)
<https://jfim.or.jp/2021/04/22/日本金融サービス仲介業設立/>

Japan Financial Service Intermediary Business Association, Japan Financial Service Intermediary Business Association Obtains Certification, Nov. 2021 (Japanese)
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