

# License Application Support for Electronic Payment Instruments Services

Stablecoins, which are used for remittance and payment services using blockchain technology and are linked to the value of fiat currencies, have been expanding mainly in overseas markets. In the meantime, there is a rising number of companies seeking business opportunities utilizing them.

In Japan, a new regulation has been put in place for the “Electronic Payment Instruments Services” (“EPIS”), which intermediates stablecoins. In order to conduct EPIS, it is necessary to register in accordance with the Payment Services Act (“PSA”).

KPMG AZSA can support the license applications on EPIS with extensive knowledge of best practices in the industries, and relevant regulations including the PSA.

## Anticipated process relating to the license application including the examination for EPIS

In general, a prior consultation with the regulator is needed before submitting the license application. In the prior consultation, a written answer sheet stating the answers to the questionnaire will be submitted until no more additions are needed. After the completion of the answer sheet, the process proceeds to the main process including interviews with officers and document review. Upon completion of the main process, a license application will be received.

## \*Key points for smooth registration

To shorten the time required for license registration, it is important to shorten the period before entering the main process.



## Main attachments to application license form for EPIS (Extract)

- A document concerning the establishment of compliance frameworks to conduct properly and steadily the EPIS
- Shareholders list, articles of incorporation and certificate of registered particulars or substituted documents thereof
- The latest B/S and P/L, or any substitute thereof
- A document stating the expected income and expenditure related to the EPIS in the three business years after the commencement of business
- Documents outlining the EPI and issuer of EPI handled
- Organization chart for EPIS business
- Policy & procedures on EPIS business
- Contract documents used when conducting transactions related to the EPIS with users
- If a part of EPIS is outsourced, the contract documents for the outsourcing

## Regulations on Electronic Payment Instruments Service Provider

### Conduct regulations (main items of supervisory guidelines)

#### [Appropriateness of business operations]

- Regulatory compliance frameworks
- Measures for KYC at the point of sales
- Prevention of damage that may be inflicted by anti-social forces
- User protection measures
- Responses to margin trading
- Separate management of money and EPI deposited by users
- Obligation to conclude a contract with the issuers
- Responses to the risk of EPI leakage

- Booking and documentations
- Management of user information
- Dealing with complaints (including financial ADR system)
- Linkage with services provided by other service providers such as account transfer service
- Compensation for damage due to improper transactions

#### [Administrative operations]

- IT system risk management
- Operational risk management
- Outsourcing management

#### [Responses to persons with disabilities]

### Approval for the creation of a Self-Trust

With the approval of the authorities, EPI deposited by customers can be managed by the method of trust of electronic means of settlement ("self-trust of EPI by user classification management") by the method listed in Article 3, item (iii) of the Trust Business Act in place of trust to trust companies, etc. In order to obtain such approval, it is necessary to establish the following system.

- 1 The amount of stated capital and net assets must be 30 million yen or more.
- 2 The provisions of the documents stating the content and method of affairs pertaining to a Segregated User Management EPIs Self-Trust conform to laws and regulations and are sufficient for the proper execution of said affairs.
- 3 In light of the personnel structure, the applicant has the knowledge and experience to appropriately carry out the affairs pertaining to a Segregated User Management EPIs Self-Trust.

### Example of support to license application for EPIS

#### 01 Understand status quo

In addition to confirming the business model and profit plan to be developed as a EPIS Provider, the current regulatory compliance framework and future personnel plans will be grasped through interviews, browsing of materials.

- Confirm the EPIS to be developed
- Understand the current compliance framework

#### 02 Gap analysis

A gap analysis will be conducted based on laws and regulations, including supervisory guidelines and self-regulation as benchmarks, and identify and sort out issues to be addressed. Analyze the gap between current situation and the regulations.

- Identify and confirm the gap items
- Make steps to close the gaps

#### 03 Framework development

With regard to identified issues, KPMG supports license applications by supporting the preparation of policy & procedures, providing advice on the establishment of regulatory compliance frameworks, and reviewing license application documents.

- Review documents for license application
- Support to make policy & procedures
- Provide advice on building compliance framework

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