

## GFTN Forum Japan

**Keynote speech at GFTN Forum Japan on March 6th 2025 by Shigeru Ariizumi, Vice Minister for International Affairs, Financial Services Agency, Japan.**

Good afternoon, everyone. My name is Shigeru Ariizumi, Vice Minister for International Affairs of the Financial Services Agency. First, let me congratulate the host for a successful meeting so far and thank the GFTN for giving me this opportunity to deliver a keynote address today.

I have just returned from New York this morning, but I have heard that there have been very constructive and insightful discussions so far on cutting-edge topics, including at the "Global Leaders Dialogue," "Digital Assets Summit," and "Asset Management Forum." We already have witnessed a wide range of stakeholders engaging in these discussions including many of my colleagues at the FSA. This demonstrates the GFTN's wide ranging network which lays the foundation for success, and we are thankful for that.

Before diving into the world of AI and digital assets, let me share a quick anecdote. They say AI is becoming so advanced these days, it can even predict the future. I asked an AI to predict and put together my speech today, and it came right back with a 500-page document. So, I have taken the liberty of summarizing it into something a bit more manageable for us all. Maybe I should have asked the AI to summarize it.

Now, I would like to share some thoughts on AI and digital assets, putting it into an international regulatory context.

### **【AI】**

First, let me start with AI. With the rapid advancements and acceptance of generative AI, FSB, and standard setting bodies such as BCBS, IOSCO, BCBS, and IAIS are all devoting many hours

of discussions to assess its implications. While they primarily focus on identifying risks, they also emphasize the importance of innovation. For financial institutions, AI, and the data it accumulates could be leveraged for improved customer service as well as to further advance their risk management. There is no doubt that it will have a significant impact on the medium- to long-term competitiveness of financial institutions.

The FSA strongly supports the sound and proactive use of AI. We need to be at the forefront of innovation so that we are in a position to make appropriate policy decisions, understanding its technological developments and the on-the-ground use by financial institutions.

In this vein, we have just published a discussions paper based on a comprehensive survey we conducted.

Let me share with you some findings from the report. We found that over 70% of financial institutions are already using general-purpose generative AI for simple and straightforward applications, such as summarizing and translating documents. However, a more advanced use of AI, such as integrating its internal data and tailoring it to specific business needs, remains limited. We have observed that they are still at a stage of carefully assessing the risks that they face including explainability, bias, hallucinations, and personal information protection.

To assist these institutions, there are already existing frameworks such as the Regulatory Sandbox and the Japanese version of providing safe harbor which responds to inquiries to relevant authorities when the scope of regulatory application is unclear. Furthermore, the FSA is committed to assist these financial institutions through providing more clarity on rules and regulations so that they can safely test and use AI without

worrying about potential violations. These initiatives would certainly help Japan to be an attractive market for overseas businesses particularly with advanced AI solutions.

For financial institutions with global operations, regulatory harmonization will lessen its cost for compliance and enable smooth business operations. The FSA will continue to advocate its relevance and take a lead in promoting harmonization and preventing fragmentation at the FSB and SSBs.

### **【Digital Assets (Web 3.0)】**

Next, let me turn to digital assets.

Japan has a comprehensive regulatory framework for crypto assets, stablecoins, and securities token reflecting some of the hard lessons we have learned.

While some market players consider our crypto asset regulations too strict, our framework has worked effectively in particular in response to incidents such as FTX. Many jurisdictions including Europe has taken reference from our regulations and are now adopting regulatory requirements similar to those in Japan.

As an early adopter of crypto asset regulations, Japan has a wealth of regulatory and supervisory experience. With some jurisdictions still introducing and upgrading its regulations, Japan can play a key role in advancing global implementation. By leading the discussions at FSB, IOSCO, and FATF, we will work towards developing an appropriate global framework for crypto assets and stablecoins which are cross-border by nature.

### **【The FSA Leading the Digitalization of Finance】**

Leveraging technology is at the core when we develop our policies, including in such areas as asset management, sustainable finance, and cross-border payments.

I believe that there are significant opportunities in Japan in all these area for financial institutions, businesses, entrepreneurs, and investors from overseas including those present here today.

While some may still perceive Japan as a conservative country, which I believe is not true, we welcome businesses that drive sound innovation. Our Fintech Support Desk, a one-stop consultation desk we showcased at this forum will assist those with questions and concerns of doing business in Japan. If you have not taken advantage of our on-site booth, the FSA welcomes consultations, so please feel free to contact us.

Let me also highlight that our efforts which I mentioned today are in line with the Japanese government's overall policy to realize a "growth-oriented economy driven by wage increases and investment." Providing a platform where innovation can continuously flourish is a foundation for Japan's economic growth.

The government has announced its plans to drive investment in human capital through skills development, and to support innovation and startups in strategic fields such as AI and quantum technology, using digital transformation as a catalyst. We will provide over ten trillion yen by FY2030 in public support to AI and semiconductor sectors.

In line with these guidance by the government, the FSA is determined to take the lead in the digitalization in the financial sector. We welcome new entry both domestic and abroad which would facilitate healthy competition and lead to more

business opportunities and better services for customers in Japan.

### **【Closing Remarks】**

Finally, I hope that the discussions from this forum will contribute to the future of fintech, and I look forward to seeing you all again next year. Thank you very much.