

Overall Framework for Information Provision Regulations

	Crypto-assets with an identifiable issuer	Other crypto-assets
	The issuer raises funds through the offering	The issuer does NOT raise funds through the offering
Content of Information (upon Initial Listing)	<ul style="list-style-type: none"> The characteristics and functionality of the crypto-assets, total number of the crypto-assets, underlying technology, rights and obligations attached to the crypto-assets, and associated risks 	
	<ul style="list-style-type: none"> Information about the issuer, planned use of the offering proceeds, the crypto-asset project 	—
Entities subject to the regulation	<p><i>Issuer</i> obligated to prepare and provide (publish) information</p> <p><i>CASPs</i> (<i>crypto-asset exchange service providers</i>) obligated to provide information prepared by the issuer</p>	<p><i>CASPs</i> obligated to prepare and provide (publish) information</p>
Acts subject to the regulation	Fundraising through the sale of crypto-assets by the issuer*	Listing of crypto-assets by CASPs
Exemptions	In cases equivalent to private placements or private secondary distribution (i.e., solicitation to a small number of investors or to qualified institutional investors)	
Method and Timing	<ul style="list-style-type: none"> Publication on the websites of the issuer or CASPs Prior to solicitation by CASPs 	<ul style="list-style-type: none"> Publication on the websites of CASPs Prior to solicitation by CASPs

*Offers provided free of charge, and distributions created automatically as a rewards for mining or staking, are exempt from this regulation. - 1 -


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Post-listing Information Provision	Frequency	<ul style="list-style-type: none"> Timely provision of information (prescribed by law) Periodic (annual) provision of information (prescribed by law) 	<ul style="list-style-type: none"> Timely provision of information (prescribed by law) Periodic provision of information (under self-regulatory rules)
	End of Information Provision	<p>In the following cases, information provision obligations are exempted or waived.</p> <p><i>Issuer</i></p> <ul style="list-style-type: none"> Terminated if the crypto-asset is decentralized Exempted if all domestic CASPs delist the crypto-asset <p><i>CASPs</i></p> <ul style="list-style-type: none"> Exempted if the CASPs delist the crypto-asset 	<p><i>CASPs</i></p> <p>Exempted if the CASPs delist the crypto-asset</p>
Accuracy and Objectivity		<ul style="list-style-type: none"> Criminal penalty, civil liability, and administrative monetary penalty for material misstatements and non-provision of information Suspension of listing by all domestic CASPs if the issuer violates information provision obligations Enhancement of the gatekeeping function of CASPs and a self-regulatory organizations (SRO) 	
User Protection		<ul style="list-style-type: none"> Setting an investment limit for users, similar to equity crowdfunding Preventing conflicts of interest between the issuer and CASPs, and explaining conflicts of interest to investors Prohibiting preferential issuance to specific persons before or after “listing,” and imposing lock-up periods for insiders (prohibiting sales for a certain period) 	—

Key Directions for Reviewing Crypto-Related Business Regulations

			Current	Proposed Directions
Responses to Unregistered Service Providers	Criminal Penalties	Unregistered business	Imprisonment for not more than 3 years	Imprisonment for not more than 5 years
		Unregistered solicitation	–	Imprisonment for not more than 1 years
	Court injunctions (upon petition by the SESC)		–	✓
	Regulation of the investment management business		–	✓
	Regulation of the investment advisory business		–	✓
	Preventive measures against user harm regarding payment use		–	✓ Upon transfers of crypto-assets to unhosted wallets, establish the following measures: <ul style="list-style-type: none"> • Warnings • Deliberation period

Key Directions for Reviewing Crypto-Related Business Regulations

		Current	Proposed Directions
<p>CASPs</p>  <p>Impose regulations equivalent to Type I Financial Instruments Business Operator</p>	Capital requirements	10 million yen	50 million yen
	Capital adequacy requirements	–	✓
	Restriction on concurrent business	–	✓ Advance notification required for nonancillary businesses
	Prohibited acts	Under Self-regulation	By laws and regulations
	Regulatory proportionality (e.g., relaxation of explanatory obligations for professional investors)	–	✓
	Safeguarding of users' crypto-assets	✓ (e.g., cold wallets)	✓ (Enhanced) Strengthening security measures across the entire supply chain
	Establishment of an operational control framework	✓	✓ (Enhanced) Strengthening organizational frameworks
	Liability reserves	–	✓
	AML/CFT	Travel Rule*	Travel Rule (maintain)
	Sales representative framework	–	✓
SROs	Accredited association	JVCEA‡	JVCEA (substantial enhancement of organizational frameworks is necessary)

Note: Financial Instruments Business Operators other than CASPs must obtain a modified registration to engage in CASP activities.

* When transferring a user's crypto-asset to a wallet managed by another CASP, the CASP must transmit information on the originator and beneficiary.

‡ Japan Virtual and Crypto Assets Exchange Association

The Overall Framework of Insider Trading Regulations involving Crypto-assets

Overall	<p>With respect to (1) 'covered crypto-assets', it is prohibited for persons who can gain access to (2) 'material facts' by virtue of a special position ((3) insiders), prior to (4) 'publication' of such facts, to conduct (5) transactions that would undermine users' confidence in trading venues.</p>		
(1) Scope (covered crypto-assets)	<ul style="list-style-type: none"> • Crypto-assets admitted or under application for admission to trading on domestic CASPs • Irrespective of whether transactions take place on a trading platform (including transactions taking place on DEX and P2P transactions) 		
(2) Material Facts	<ul style="list-style-type: none"> • Enumerating events that clearly constitute material facts, supplemented by basket clause. 		
	(i) Concerning the business or operations of the identifiable issuer	(ii) Concerning the handling of crypto-assets by CASPs	(iii) Concerning large-volume trades
(Example) <ul style="list-style-type: none"> • Bankruptcy of the issuer • Discovery of significant security risks 	(Example) <ul style="list-style-type: none"> • listing or delisting of a crypto-asset • Outflows of crypto-assets 	<ul style="list-style-type: none"> • A decision to conduct, or to cancel, a transaction that would significantly affect the price of a crypto-asset (for example, transactions involving 20% or more of the outstanding crypto-assets) 	
(3) Insiders	<p>Persons related to the issuer of a crypto-asset (including shareholders, administrative authorities, contracting parties)</p>	<p>Persons related to CASPs (including shareholders, administrative authorities, contracting parties)</p>	<p>Persons related to a large-volume trader (including shareholders, administrative authorities, contracting parties)</p>
(4) Publishing	<ul style="list-style-type: none"> • Publishing is limited to announcements made through the websites of CASPs or SROs. • Information dissemination via social media is not regarded as a measure of publishing.* 		
(5) Prohibited Acts/ Exemptions	<ul style="list-style-type: none"> • Engaging in "transactions", such as sale, exchange, or in-kind contributions, while knowing material facts that have not been published is prohibited. • The primary issuance of crypto-assets and the corresponding initial acquisition are also prohibited. • (In addition to exemptions equivalent to those applicable to listed securities,) exempting the regulations where the person who engaged in the trade proved that the trade would have been made even without knowledge of material facts. 		

* This reflects concerns regarding limited public awareness across diverse platforms, the ease of altering posted information, and the lack of reliability of the disseminating entity and content.

(Reference) Response to DEXs

- ❑ With respect to the current state of DEXs, the development and deployment of such protocols have characteristics such as the developers themselves not conducting solicitations to clients and, after development, services are provided by the protocol with little human intervention. In addition, certain DEXs are considered outside regulatory scope in Europe and the United States. On the other hand, DEXs also involve risks, including unforeseen losses due to deficiencies in the protocol, as well as the risk of being used for money laundering.
- ❑ In light of the above, although a clear regulatory approach to DEXs has not yet been established, **it is appropriate to continue examining proportionate regulatory frameworks that are technically aligned** and distinct from those currently applied to CASPs, while closely monitoring regulatory and supervisory developments in other jurisdictions.
- ❑ Furthermore, with regard to entities that provide user interfaces (UIs), such as applications that connect residents in Japan to DEXs, **it is necessary to deepen the understanding of the current state of such services, with a view to applying risk-based and proportionate regulation**. These could include obligations to explain the risks associated with the relevant DEX, as well as AML/CFT requirements, such as identity verification under the Act on Prevention of Transfer of Criminal Proceeds.
- ❑ In addition, given that AML/CFT measures for transactions conducted through DEX protocols or UIs connecting to DEXs may not necessarily fall within the jurisdiction of a single country, international discussions on this matter will need to continue.
- ❑ As an immediate measure, **when users engage in transactions via DEXs or through service providers not registered in Japan, government authorities and registered CASPs should adequately inform them that such activities may expose them to unforeseen losses**.