

# FIN/SUM

FINTECH SUMMIT

**FinTech 2018—Into the New Era**



Organized by the Financial Services Agency, Japan  
September 27, 2018  
Tokyo

## Summary of the Symposium “FIN/SUM 2018”

On Thursday, September 27, 2018, the Financial Services Agency, Japan (JFSA) hosted the “**FinTech Summit 2018**” (Subtitle: **FinTech 2018—Into the New Era**) at Marunouchi Building Hall (Tokyo, Marunouchi). This symposium was held as part of the “**FinSum 2018 and RegSum (FIN/SUM 2018 × REGSUM)**” co-hosted by the JFSA and Japan Nikkei Inc. for four days from September 25 to September 28.

This year's **FIN/SUM 2018 × REGSUM** was held as an integrated event which combined the RegSum (RegTech Summit) of last December with FinSum. A wide range of topics related to FinTech were discussed and addressed at symposiums, workshops, pitch runs, sandbox ideathons, exhibitions, and various other events, at the Marunouchi Building and six other nearby venues.

For the outline of this event, please visit the official website <http://finsum.jp/>.

### Opening Remark

At the beginning of the symposium, **Mr. Takao Ochi, State Minister of the Cabinet Office**, delivered an opening address.

On behalf of the JFSA, Mr. Ochi expressed his gratitude to panelists, moderators and participants in the symposium.

In his remark, he first explicated the implication of subtitle, “**FinTech 2018—Into the New Era,**” and stressed that, “amid new stage of FinTech developments in the financial sector, the JFSA, as an enabler who develops the financial sector, will be more strongly committed to further promoting and accelerating the innovation to which FinTech space will give rise than ever.”

Using the opportunity of this Summit, he elaborated on the new FinTech-related policy stated in JFSA's Strategic Directions and Priorities released on September 26, which highlighted the need for improving financial services during the era of fast-paced digitalization, introducing the new policy package with 11 strategic

directions which is named as the "Financial Digitalization Strategy." As one of the pillars stated in the Strategy, he announced the launch of "FinTech Innovation Hub," which was newly set up in JFSA for facilitating further innovation and the main members of the Hub, especially who organized this Summit, were introduced to the audience on the stage.

The members of the Hub aim to create better relationships with many FinTech start-ups and companies to gain the practices and knowledges of the latest technologies through communication and use it for further exploration of better supervisory and regulatory environment as well as for further growth of the financial sector and FinTech developments.

As the FinTech global network has been extending particularly through the opportunity of this Summit, Mr. Ochi expressed his hope at the end of his message, that the networking among the excellent experts coming from various fields will be more robust for further collaboration through this event.



### Opening Remark

Mr. Takao Ochi, State Minister of the Cabinet Office, delivering an opening remark.

## Session 1

Blockchain X-border talk among regulators

How the regulatory community is coping with new technologies

This session addressed challenges associated with the monitoring of potential

risks related to crypto-assets, as well as issues as to how authorities should cooperate globally for appropriate development of blockchain and distributed ledger technology, DLT, which is the underlying technology of crypto-assets. **Mr. Mizuguchi, Deputy Commissioner for International Affairs of JFSA**, served as the moderator of this session.

First, a central banker remarked that there is a general view that central banks should issue central bank digital currency (CBDC) as well as paper currency. On top of that, he indicated that, "as there are different natures between CBDC and crypto-assets in terms of issuers and currency units, a central bank does not necessarily have to use technology like DLT to issue CBDC given it is issued using creditworthiness of central bank." In addition, with regard to the issuance of CBDC, he highlighted that, "while there are some positive aspects such as the provision of risk-free settlement and the effectiveness of monetary policy, there are many challenges that need to be addressed, such as striking a balance between monetary policy and financial stability and considering the design of structural layer between private banks and central banks, assuming CBDC is available in the market."

In order to properly recognize the regulatory implications of the use of DLT for wholesale settlement, another central banker introduced to participants the study jointly conducted with major financial institutions and reported on their initial findings through the study that "the current centralized payment system was found to be more efficient."

Other panelists argued that "while there are benefits from the advancement of FinTech such as fostering financial inclusion globally, there is an emerging possibility of its use in criminal activities including money laundering and it raises challenges against financial integrity, so that these issues should be addressed swiftly."

Some regulators elaborated on their regulatory approaches for Initial Coin Offerings (ICOs) and indicated that "it would be desirable to introduce principle-based regulation focusing on specific conducts rather than directly regulating the underpinning technologies that is applied."

A private banker expressed a view that, “in order to implement a new settlement platform using DLT, industry rules need to be developed on a global basis, and to this end further cooperation among national authorities and standard setters is indispensable.”



## Session 1

Mr. Mizuguchi, the moderator, and the panelists of session 1.

Throughout the session, panelists have especially stressed that, “as specific borders do not exist under digitalized activities, it is important to have appropriate regulations that are adjustable for each jurisdiction to minimize regulatory arbitrage.” To this end, panelists endorsed the view that “it is effective to discuss these issues at international bodies as well as bilateral talks.”

In addition, panelists stressed that there is a potential risk in terms of the effectiveness of regulation, and the effectiveness of current approaches may lose due to the widespread use of technology that has the natures of decentralization and anonymization. Among others, in a more decentralized world, some especially argued that the target of regulation is likely to be ambiguous.

Through the discussion, they reached one tangible challenge as to how we should pursue the coherent policy objective, that is, protecting users under the decentralized financial system. And the session concluded that addressing new challenges and fostering international cooperation among regulators continues to be important and discussions should be deepened in more inclusive space that encompasses more diverse stakeholders.

## Session 2

### Blockchain X-border talk with the tech community

In this session, the panelists discussed the design of collaboration and cooperation among stakeholders, including but not limited to engineers/developers, financial institutions, startups, academia, and authorities, addressing the issues of appropriate governance platform in the new financial ecosystem created by DLT, as well as the future direction of technological developments in the blockchain community from the perspective of engineers/developers. **Mr. Sakimura, Research Fellow at Nomura Research Institute** served as the moderator of this session.

Panelists initiated the discussion focusing particularly on an issue regarding financial services using DLT and indicated that, "since physical borders are no longer meaningful, the current laws and rules of each country would lose effectiveness."

From academia, they especially argued that "some tensions could arise between the discipline formed by conventional laws and regulations (Rule of Law) and that newly formed by cryptography and computer codes (Rule of Code), so that we need to create and structure a governance mechanism to resolve these tensions in coming period."

Regarding the recent incidents of hack and theft of crypto-assets, panelists from the academia stated that "it is possible to address these issues by incorporating into DLT programs lessons and best practices learnt from the conventional approaches to prevent frauds in financial services" and also argued that "there is room for cooperation among various parties such as financial institutions, regulatory authorities, and engineers/developers in order to attain this."

Furthermore, regarding future technological developments in the area of blockchain, a developer of crypto-asset technologies viewed and advised that "in order to make too complex programs more reliable, it is necessary to divide them into modules and layers to improve and enhance technological stability, so that we should take contentious efforts to attain this."

At the end of the session, participants emphasized that “it would not be enough to cope with technologies such as DLT by simply applying existing laws and regulations, but would rather be essential to cooperate with many parties to create a new order, incorporating ideas such as the Rule of Code.”



## Session 2

Mr. Sakimura, the moderator, and the panelists of session 2.

## Session 3

### Special Fireside Chat “J-FinTech and Society 5.0” Facilitating better payments and beyond

During this session, the panelists discussed issues and measures to be taken in order to facilitate better payments and settlements in Japan. **Professor Morishita of Sophia University** served as the moderator of this session.

First, regarding the current situation of retail payments in Japan, a financial expert pointed out that “the ratio of retail cashless payments is estimated to be around 50% in value according to a private-sector survey, which is considerably higher than the government’s survey of 19.8%.” The expert added that “the backdrop why retail payments do not shift to cashless e-payments (e.g. credit cards etc.) in Japan is the underlying concern about data security.”

A practitioner from internet banking service provider made a remark with a

similar view and advised that “the cashless payment ratio of around 50% in Japan seems to be right when account/bank transfers are included, thus it is important that we enhance the usability of the Zengin System (an interbank funds transfer system) which is a convenient payment infrastructure already equipped in Japan.”

A practitioner of major bank that is currently working to build a platform for digital coins stated that “a cashless society will reduce overall social costs of cash payments that is currently incurred,” and added that “enhancing the usability of settlement services for SMEs and retail e-payments would lead to creating new sources of social benefits.”

For further usability of payments and settlement, many panelists such as a financial expert, a bank practitioner, an evangelist of IT solution provider and a practitioner of FinTech firm subscribed to a view that “e-payment scene and its actual application in daily lives have become extremely wider than before, and the perspectives of user-centric innovation will be increasingly important in the coming period.” On the other hand, with regard to the data portability across industries and privacy, many panelists stressed that “ensuring data security and safety use is most essential.”



### Session 3

Mr. Morishita, the moderator, and the panelists of session 3.

From a different perspective, an innovator stated that “although better FinTech ecosystem is being built in Japan, good practices in FinTech developments have not been widely shared with the global FinTech community and players,”



highlighting the need for advocating Japanese FinTech efforts through the occasion of this Summit and other events.

Finally, as for good mutual relationships between the private sector and the public sector for facilitating better payment and settlement services, panelists subscribed to the view and concluded that “while it is desirable that the private sector will pursue the innovation to create the value-added services by deepening user needs, the public sector should create a better environment that facilitates such efforts of private sector ensuring appropriate contestability.”

## Session 4

### RegTech and SupTech

#### Creating a new regulatory ecosystem via new technologies

In this session, amid the situation where new entrants are coming into the financial system with the growth of technology, panelists discussed how supervisors and central banks should use new technologies in place for efficient regulation and supervision (SupTech), and similarly how financial institutions should respond to the regulation and reporting requirements under new regulatory ecosystem (RegTech). **Mr. Sasaki, Director-General of Strategy Development and Management Bureau of JFSA**, served as the moderator for this session.

An expert from IT solution provider described about its project jointly conducted with a Japanese stock exchange to test the use of DLT for KYC procedures. Based on the experience of the test, he reported that “it has become evident that new forms of regulation and supervision are necessary in the society where new technologies are implemented.” For such technologies to be widely available in a society, he added that “proper cooperation and coordination among authorities, legal experts, financial institutions and IT firms are necessary.”

A regulator stated that “RegTech will facilitate better compliance by financial institutions, improve their efficiency by reducing costs, thereby ultimately contributing to the interests of consumers.” On top of that, for better promotion

of RegTech, he elaborated on efforts that have been made and stated that “we are holding a liaison forum to discuss future design of RegTech through a community network and have built an innovation hub.” A central banker also demonstrated specific efforts to implement regulation in a more efficient manner, such as promoting digitization of central bank systems, exploring standardized format of data and technologies, and cooperating with private financial institutions.

A practitioner of IT solution provider argued that “in order for DLT to reduce reporting costs among stakeholders and to be more beneficial to users, harmonization among national regulations is necessary based on a user-oriented perspective.” To this end, he added that “it is most important that regulations be set appropriately based on coordination and cooperation among national authorities.”

Another practitioner of IT solution service provider argued that “the reporting process for AML/CFT (Anti-Money Laundering/Counter Financing of Terrorism) is very inefficient today, and there is room for improvement”. Also, he stressed that AI can be used to refine analytical approaches that has conventionally relied on human capacity, thus to address an issue on how public and personal data can be shared is of significance.



#### Session 4

Mr. Sasaki, the moderator, and the panelists of session 4.

An expert who has been involved in the development of the Internet has advised that “in considering a governance structure for a financial ecosystem

which has become diversified and open through new technologies, it would be helpful to refer to the governance structure of the Internet, in which multi-stakeholders have participated and built a community.”

In order to create new RegTech and SupTech ecosystems, panelists shared a view that “RegTech and SupTech should be taken not only as a technology issue, but also be addressed as an issue that concerns a wide range of people.”

## Session 5

### What’s Next? – Part 1

#### Artificial intelligence for the financial industry

In this session, panelists discussed as to what type of changes and risks AI technology will give rise to in the financial sector, touching on several use cases of AI and addressing current challenges in big data usage. **Mr. Arnold, Bank Editor of the Financial Times**, served as the moderator of this session.

The moderator and panelists initiated the discussion with several use-cases of AI in the financial sector and a central bank, such as “macro-economic analysis and monitoring of the financial system” and “creation of an artificial financial market to consider the impact of regulation to the market.” A practitioner of the major private bank elaborated on the actual use of AI for predicting borrower-firms’ financial conditions and indicated that “it is possible to capture a borrower’s conditions, 3 to 15 months faster than before.”

A developer that specializes in AI described about its service that automatically and appropriately responds to online inquiries from customers with deep-learning. On top of that, regarding the future usage of AI in the financial industry, he envisaged that “simple, routine processing would be automated and people would not be involved in such processes.” He added a view that AI would rather create new areas of jobs for people (not replacing people).

On the other hand, there is an augmented issue that the AI application, in some cases, would give rise to inappropriate use of data and data bias. In this issue,

an expert that analyzes big data indicated that “ethics and proper governances are extremely important perspectives for the use of data.” He indicated, concerning a question as to how we ensure the fairness of data use, that “some sort of a standard would be necessary in the field of data science.”

With regard to the possible “failure of AI” caused by the data bias, some panelists subscribed to the view that “if we experience such opportunities in many cases at an early stage of development, it will be rather regarded as a good opportunity to learn and improve AI.”

Finally, concerning the future challenges in AI, panelists indicated that it is extremely important to address underlying cyber security risk given that vast data are handled and to enhance the data literacy of consumers as AI technology develops, and concluded that these issues need to be properly addressed in the future.



## Session 5

Mr. Arnold, the moderator, and the panelists of session 5.

## Session 6

### What's Next? – Part 2

#### InsurTech - Is this the last FinTech frontier in the industry?

In this session, insurance startups, incumbent insurers, and a regulator discussed new form of business models in the area of insurance with technologies (InsurTech) and also discussed how incumbent insurers are capturing new trends

under technological developments. **Professor Kawai of Kyoto University, who is ex-Secretary General of IAIS (International Association of Insurance Supervisors),** served as the moderator of this session.

First, a practitioner of insurer stated with its recent developments of InsurTech that “it has become possible to develop products and to set prices that precisely match customer needs in a very short period of around 2 to 4 weeks.” On the other hand, a practitioner of startup insurer elaborated on its approach to launching new insurance products, including a low-priced insurance product which applied “P2P” insurance model in which individuals share risks.

A practitioner of insurer elaborated on major challenges they face to develop InsurTech that, “in order to incorporate new innovations into their existing businesses, we are moving beyond conventional approaches we have taken to underwrite covers more broadly based on indemnity needs of policyholders and to convert to a business model that promotes healthcare of policyholders, through alliances and/or M&A with FinTech start-ups.”

With regard to the outlook for insurance industry ten years from now that the moderator asked, there were several views from panelists that “various technological innovations would make it possible to identify events beforehand, so that society risks to be covered by insurance may decline in the future.” On the other hand, since the physical application of new technology usually brings new risks, there was another view that “a society without risks is unlikely even in the future and that the nature of risks themselves would change in the future.”

As for the topic on future outlook or design of insurers ten years from now, some panelists envisaged that “we will not simply underwrite the coverage of risks or accidents, but will provide advice to customers especially on how they could reduce risks beforehand by building closer relationships with them.”

Based on the current InsurTech initiative by the industry, a supervisor acknowledged that InsurTech would surely bring a great opportunity for the insurance industry. On top of that, as there could be a challenge in gathering sufficient number of samples or data in setting premiums, he also stated that “actuarial legitimacy would be essential for the setting of insurance premiums,

while we understand there is a challenge in data accumulation when various innovative products are launched in the market.” With regard to sales channels of insurance products, a supervisor envisaged that small-amount, short-term, simple insurance products, particularly those sold by online or smartphones, could possibly change the competitive structure of the insurance industry.

Finally, the participants subscribed to the view and concluded that developments in innovation is ideal but striking a proper balance between innovation and market stability is important while ensuring appropriate competition and cooperation between FinTech start-ups and incumbent insurers.



## Session 6

Mr. Kawai, the moderator, and the panelists of session 6.

## Closing Remark

Mr. Hideki Murai, Parliamentary Vice-Minister of the Cabinet Office, delivered a closing address at the end of the symposium.

Mr. Murai stated that “due to the fast-paced development of IT technology over the past few years, the financial sector has been facing and experiencing a major change with the rapid progress of digitalization through which all kinds of goods are linked digitally.”

Under these circumstances, Mr. Murai also stated that “ensuring appropriate

competition and fostering collaboration between incumbent financial institutions and FinTech firms are important,” and said that “we hope that this would in turn create innovative financial services that improve the convenience of users significantly and increase the productivity of the Japanese economy.”

As this year’s FinTech Summit has been held on a larger scale than that of last year and the program was well-developed with more deeper-diving contents, Mr. Murai expressed his expectation that those who met at the event would employ knowledge and information obtained from the event and that this would lead to further financial sector’s innovation. And Mr. Murai concluded that “technological innovation would be an important agenda at the G20 to be held next year under Japan’s presidency and great discussion here would lead to the further development of FinTech in Japan as well as those in the world.”



### Closing Remark

Mr. Hideki Murai, Parliamentary Vice-Minister of the Cabinet Office, delivering a closing remark.

## **FinTech 2018 — Into the New Era**

**Organized by JFSA on September 27<sup>th</sup>, 2018**

**7F Marunouchi Building, 2-4-1 Marunouchi, Chiyoda-ku, Tokyo**

FinTech Summit is co-hosted by the Financial Services Agency (JFSA) and The Nikkei. The summit will be held as an integral part of FIN/SUM 2018 × REG/SUM, which will be held from September 25<sup>th</sup> to 28<sup>th</sup>, 2018. Official Site: <http://finsum.jp/>

**9:10AM**            **Opening Remarks**

**9:25-10:40AM**   **Session I – Blockchain X-border talk among regulators**  
**How the regulatory community is coping with new technologies**

G20 statement highlights the importance of monitoring the assets backed by crypto-underpinning technologies. At the same time conditions for fostering innovation must be established. Taking the global nature of this nascent industry into consideration, how should the cross-border cooperation look like and what are the pieces we are currently missing?

Moderated by    **Jun Mizuguchi**, Deputy Commissioner for International Affairs, JFSA

Panelists

**Morten Linnemann Bech**, Head of Secretariat, Committee on Payments and Market Infrastructure, Bank for International Settlements  
**James Chapman**, Senior Research Director, Funds Management and Banking Department, Bank of Canada  
**Roy Teo**, Executive Director, Fintech and Innovation Group, MAS  
**Nigel Jenkinson**, Assistant Director, Monetary and Capital Markets Department, IMF  
**Hiromi Yamaoka**, Director-General, Payment and Settlement Systems Department, Bank of Japan  
**Léonard Bôle**, Member of the Executive Board, Swiss Financial Market Supervisory Authority FINMA  
**Hirofumi Aihara**, Managing Director, Digital Transformation Division, MUFG

**10:45-12:00PM**   **Session II – Blockchain X-border talk with the tech community**

Blockchain technology, among many applicable industries, has the potential to be a game changer in finance. To fully harness the advantages of blockchain, underlying risks have to be controlled. Concerted, collaborative and collective efforts between IT companies, academia, financial institutions, government authorities, startups and beyond is essential. What would this cross-sectoral collaboration look like in reality in order to ensure both ground-breaking innovation without



compromising on security?

Moderated by **Natsuhiko Sakimura**, Research Fellow, Nomura Research Institute

Panelists **Shin'ichiro Matsuo**, Research professor, Georgetown University  
**Shigeya Suzuki**, Project Associate Professor, Keio University  
**Adam Back**, CEO, Blockstream  
**Pindar Wong**, Chairman, VeriFi, Ltd

**12:05-1:20PM Session III – Special Fireside Chat “J-Fintech and Society 5.0”  
Facilitating better payments and beyond**

The Japanese government and private companies have undertaken various initiatives to improve financial services with new technologies. In this fireside chat session, participants will discuss what has been done so far and what should be done in the coming future to further enhance the usability and effectiveness of the payments and other critical financial services.

Moderated by **Tetsuro Morishita**, Professor, Sophia University Law School

Panelists **Yuri Okina**, Chairperson, Japan Research Institute  
**Akira Yamagami**, Managing Director, NTT Data Institute of Management Consulting  
**Toshiya Cho**, Senior Evangelist, Managing Director, Hitachi  
**Chie Ito**, General Manager, Information Services International-Dentsu  
**Eiichi Kashiwagi**, President, Jibun Bank Corporation  
**Hiroki Maruyama**, Co-Founder/Representative Director, infcurion group (representing Fintech Association of Japan)  
**Daisuke Yamada**, Senior Managing Executive Officer/Chief Digital Innovation Officer (CDIO), Mizuho Financial Group, Inc.

**1:30-2:45PM Session IV – RegTech and SupTech  
Creating a new regulatory ecosystem via new technologies**

FinTech has been truly explosive in shaking up financial industries and the question arises what is the role of regulators in this revolution? They are essential in fostering a FinTech ecosystem by addressing various issues and concerns through new policies. Policies like open APIs, the creation of innovation hubs and regulatory sandboxes, support and implementation of RegTech solutions, among others, will be discussed.

Moderated by **Kiyotaka Sasaki**, Director-General of the Strategy Development and Management Bureau, JFSA

Panelists **Eric Burger**, Research Professor of Computer Science, Georgetown University  
**Beju Shah**, Head of Data Collection and Publication, Bank of England  
**Clark Frogley**, Vice President, Global AML Solutions Leader, IBM

**Daichi Iwata**, Head of Fintech Business Development Office, NEC Corporation

**John Price**, Commissioner, Australian Securities and Investments Commission

**2:50-4:05PM    Session V – What’s Next? – Part 1**  
**Artificial intelligence for the financial industry**

Artificial intelligence (AI) and big data are changing everything and the financial industry is not an exception. But how tangible are such changes? Will they just be a way to reduce costs? Will they allow the financial industry to introduce new ways and lines of business? Let us engage into the true potential of AI and big data for the financial industry.

Moderated by    **Martin Arnold**, Banking Editor, Financial Times

Panelists        **David Beardmore**, Commercial Director, Open Data Institute  
**Yutaka Soejima**, Head of Fintech Center, Bank of Japan  
**Ryohei Fujimaki**, CEO/CTO, dotData  
**Katsunori Tanizaki**, Director Senior Managing Executive Officer,  
Group CIO and Group CDIO, Sumitomo Mitsui Financial Group, Inc.  
**Antonio Valderrabanos**, CEO and Founder, Bitext

**4:10-5:25PM    Session VI – What’s Next? – Part 2**  
**InsurTech - Is this the last fintech frontier in the industry?**

How true is the statement that insurtech is the last fintech frontier in the financial industry? In this session, industry experts will address the trends, opportunities and challenges where insurance meets tech. Who will become the pioneers that creates disruptive business in such a prospective space? How will new technologies help insurance companies serve customers better? What is the possibility that micro insurance and other new insurance products flourish with new technologies in this area.

Moderated by    **Yoshihiro Kawai**, Adjunct Professor, Kyoto University and Former Secretary General of IAIS

Panelists        **Kazuya Hata**, CEO, justInCase  
**Wayne Xu**, President, ZhongAn International  
**Frank Eijsink**, CEO, NN Life Insurance Company Ltd.  
**Tang Loaec**, President, P2P Protect  
**Koichi Narasaki**, Group Chief Digital Officer, Managing Executive Officer, Sampo Holdings, Inc.  
**Hiroshi Okada**, Director for Banking, Payment and Insurance Regulations, JFSA

**5:25-5:35PM    Closing Remarks**