## Overview of Virtual Currency Exchanger
(Guidelines for Administrative Processes: Financial Companies No16)

The passage of the amendment of the Banking Act to adjust to the environmental changes resulting from utilization of information and telecommunications technologies (May 2016)

### Regulations for Virtual Currency
- ✓ Implementation of registration system
  - Virtual and legal currency exchangers are required to register with authorities
- ✓ Regulation on anti-money laundering and counter-terrorism financing
  - Requirement of KYC etc.
- ✓ Regulation for user protection
  - Requirement for development of segregation rules for virtual and legal currencies deposited by users etc.

### Formulation of Guidelines for Administrative Processes (April 2017)

Formulation of guidelines on how to supervise virtual currency exchangers for authorities’ officers

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## I. General Provisions

### 1. Scope of the virtual currencies
- ✓ Standards for the compatibility with definitions of virtual currency scope and category
- ✓ Standards for the compatibility with virtual currency exchangers and the appropriateness of virtual currency handling

## II. Viewpoints for supervision of Virtual Currency Exchangers

1. Business Management
2. Operational Adequacy
   - 2 - 1 Legal Compliance
     - 2 - 1 - 1 Legal Compliance Activities
     - 2 - 1 - 2 Dealing Confirmation Measure
     - 2 - 1 - 3 Prevention of Damage by Anti-social Forces
     - 2 - 1 - 4 Misconducts Supervision
   - 2 - 2 User Protections (Functions of Information Services and Consultation)
     - 2 - 2 - 1 User Protection Measure
     - 2 - 2 - 2 Books and Documents
     - 2 - 2 - 3 User Information Management
     - 2 - 2 - 4 Complaint Procedures (including Financial Services ADR System)
   - 2 - 3 Administrative Operations
     - 2 - 3 - 1 System Risk Management
     - 2 - 3 - 2 Operational Risk Management
     - 2 - 3 - 3 Outsourcing
   - 2 - 4 Care for Persons with Disabilities
3. Supervisory Techniques
4. Basic Concept of Foreign Virtual Currency Exchangers

## III. Administrative Notes related to Virtual Currency Exchanger

- ✓ General Operations
  - Hearing of Virtual Currency Exchangers, Off-site Monitoring, Complaint Procedures, Unregistered Exchangers Management etc.
  - Procedures
    - Registration, Acceptance of Notification, Reports based on Article 63-14, Closure Treatment
- ✓ Notes for Administrative Actions
- ✓ Relation with Administrative Procedure Act
- ✓ Opinion Exchange System
- ✓ Ascertainment of branch existence
- ✓ Liaison with the related domestic and foreign authorities
- ✓ Concept of disclosure of adverse disposition
- ✓ Notification of Administrative Actions