

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)

Formulation of Guidelines for Administrative Processes (April 2017)

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 on how to supervise virtual currency exchangers for authorities' officers

[Contents]

- ✓ Administration knowhow on evaluation procedures and evaluation points
- ✓ Specific viewpoints related to compliance with KYC and segregation management
- ✓ Critical viewpoints to evaluate appropriateness of the required operational controls

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