
AMT/NEWSLETTER

Fintech

May 19, 2026

Publication of Draft Amendments to Cabinet Order, Cabinet Office Ordinances, etc. in relation to 2025 Amended Payment Services Act

Cross-border payment collection services

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On December 16, 2025, the Financial Services Agency of Japan published¹ draft amendments to the relevant Cabinet Order and Cabinet Office Ordinances, etc., including a draft amendment to the Cabinet Office Ordinance on Funds Transfer Service Providers (the "Draft Amendment to the Funds Transfer Ordinance"). These amendments are intended to update and revise the relevant Cabinet Order and Cabinet Office Ordinances, etc. in connection with the enforcement of the "Act Partially Amending the Payment Services Act" (the "2025 Amended PSA")², which was enacted on June 6, 2025 based on the "Report of the Working Group on Payment Services Systems, etc." (the "WG Report")³ published on January 22, 2025, among other reports.

This newsletter focuses on the categories of activities that the Draft Amendment to the Funds Transfer Ordinance proposes to exclude from the scope of regulations applicable to international payment collection services (or, commonly known as, funds transfer regulations applicable to cross-border payment collection services).

1. Overview

Under the 2025 Amended PSA, acts are classified as cross-border payment collection services (shuno daiko) constituting "funds transfer transactions (kawase torihiki)" (main clause and Item (ii) of Article 2-2, 2025 Amended PSA) if they in summary meet all the following requirements:

- There is an entrustment (including multi-tier entrustments), an assignment of a monetary claim from a party holding that claim (the "Payee"), or other similar methods;
- funds are received, or caused to be received by another party, as payment for the monetary claim from the debtor, or from a party making a payment through an entrustment (including multi-tier entrustments) (the "Debtor or its Entrusted Party");
- such funds are delivered to the Payee, or to a party receiving payment through an entrustment from said Payee (the "Payee or its Entrusted Party");
- this process effects a transfer of funds (excluding the physical delivery of cash) from the Debtor or its Entrusted Party to the Payee or its Entrusted Party; and
- this process involves transferring funds from Japan to abroad, or from abroad to Japan.

However, the 2025 Amended PSA has also provided that, even where the foregoing requirements are satisfied, "acts that are specified by Cabinet Office Ordinance as those which, having regard to the manner of the acts and other circumstances, are deemed to have little risk of compromising the protection of users" do not constitute funds transfer transactions (parenthetical clause of Article 2-2(ii), 2025 Amended PSA).

Following these amendments, it is now explicitly stated in the Draft Amendment to the Funds Transfer Ordinance that certain categories of cross-border payment collection services do not constitute funds transfer transactions and are therefore outside the scope of regulation (each Item of Article 1-3(1),

¹ <https://www.fsa.go.jp/news/r7/sonota/20251216/20251216.html> (Japanese only)

² <https://www.fsa.go.jp/common/diet/index.html> (Japanese only)

³ https://www.fsa.go.jp/singi/singi_kinyu/tosin/20250122.html (Japanese only)

Draft Amendment to the Funds Transfer Ordinance). However, in certain cases, they are deemed as "acts having a significant risk of compromising the protection of users" and are therefore not eligible for such exemption (Articles 1-3(2) and 1-3(1), Draft Amendment to the Funds Transfer Ordinance). Consequently, those acts revert to the general rule and become subject to the funds transfer transaction regulations.

The following section will provide a detailed explanation on each Item of Article 1-3(1) of the Draft Amendment to the Funds Transfer Ordinance—the categories exempt from the funds transfer transaction regulations; and each Item of Article 1-3(2) of the Draft Amendment to the Funds Transfer Ordinance—the categories subject to the funds transfer transaction regulations as "acts having a significant risk of compromising the protection of users."

2. Categories Exempt from the Funds Transfer Transaction Regulations

Under each Item of Article 1-3(1) of the Draft Amendment to the Funds Transfer Ordinance, the following categories of cross-border payment collection services are exempt from the funds transfer transaction regulations.

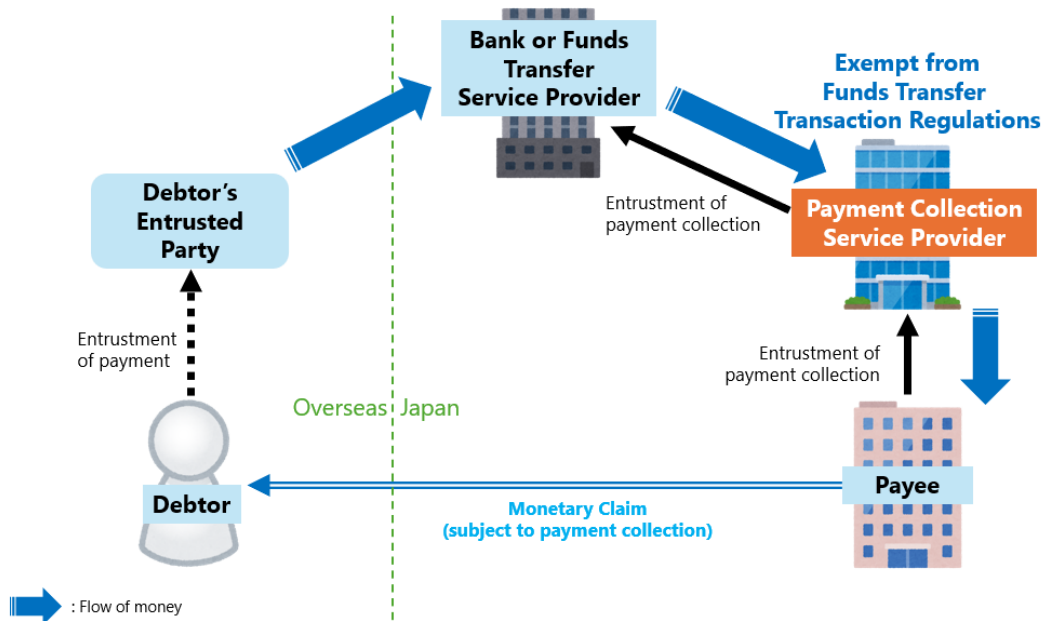
2.1. Cross-border payment collection services carried out through a sub-entrustment to a bank or to a funds transfer service provider

Any acts of causing a bank or a funds transfer service provider to receive funds from the Debtor or its Entrusted Party as payment for a monetary claim held by the Payee, and subsequently delivering such funds to the Payee or its Entrusted Party, are exempt from the funds transfer transaction regulations (Item (i) of Article 1-3(1), Draft Amendment to the Funds Transfer Ordinance). This Item is intended to cover payment collection services in which a bank or a funds transfer service provider acts as an intermediary between the Payee and the Debtor or its Entrusted Party (see Figure 1 below).

In multi-tiered payment collection arrangements, payment collection services carried out through a sub-entrustment to a bank or to a funds transfer service provider will, in principle, fall within this exemption category (I-2-2-2(1) of the draft amendment to the "Administrative Guidelines (Volume III: Financial Companies, Chapter 14: Funds Transfer Service Providers)" (the "Draft Amendment to the Funds Transfer Administrative Guidelines")). However, where the payment collection service provider merely causes the Debtor or its Entrusted Party to transfer funds into a deposit account maintained by the payment collection service provider at a bank or into an account maintained by the payment collection service provider at a funds transfer service provider, such activity will not qualify for the

exemption (I-2-2-2(1), Draft Amendment to the Funds Transfer Administrative Guidelines).

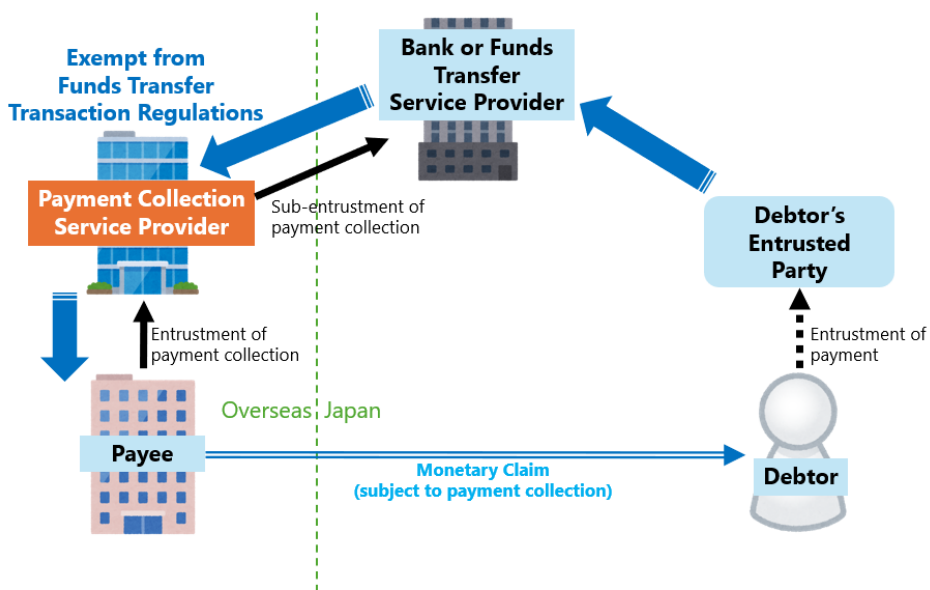
Figure 1



(Prepared by the authors. The same applies hereinafter.)

since the exemption provided in this Item is applicable to entrustment of the collection of funds to a domestic bank or a domestic funds transfer service provider, any cross-border payment collection services involving outbound remittances, where a foreign payment collection service provider sub-entrusts collection operations to a domestic bank or a domestic funds transfer service provider, may also fall within the scope of this Item (see Figure 2 below).

Figure 2

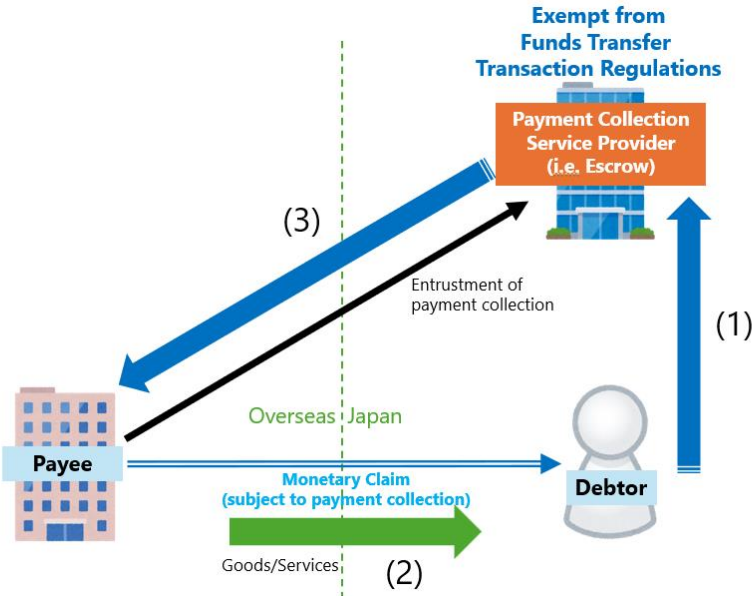


It should be noted that any services performed by a bank or a funds transfer service provider, who has been sub-entrusted by a payment collection service provider relying on the exemption category under this Item, would need to be conducted as funds transfer transactions (unless the bank's or funds transfer service provider's own operations, viewed on a standalone basis, independently fall within another exemption category).

2.2. Payment collection services in connection with escrow services

Where the Payee is obliged to provide a counter-performance to the Debtor of a monetary claim held by the Payee, any acts of receiving, or causing another party to receive, funds from the Debtor or its Entrusted Party as payment for that monetary claim either prior to or simultaneously with the counter-performance, and subsequently delivering such funds to the Payee or its Entrusted Party after the counter-performance is provided, are exempt from the regulations (Item (ii) of Article 1-3(1), Draft Amendment to the Funds Transfer Ordinance). Payment collection services performed in connection with escrow services will, in principle, fall within this exemption category (1-2-2-2(2), Draft Amendment to the Funds Transfer Administrative Guidelines) (see Figure 3 below⁴).

Figure 3



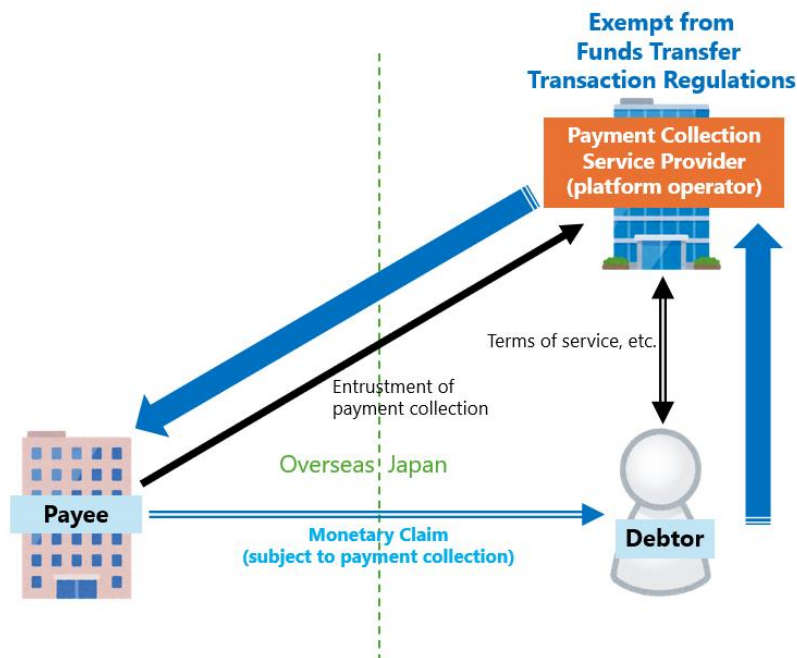
2.3. Cross-border payment collection services provided by so-called platform operators

Any acts of establishing provisions regarding the method of concluding a contract that gives rise to the Payee's monetary claim or otherwise performing other involvement essential to the formation of the said contract, and receiving, or causing another party to receive, funds from the Debtor or its Entrusted Party as payment for that monetary claim, and subsequently delivering such funds to the

⁴ As with Figure 2, even if cross-border payment collection services performed in connection with escrow services are conducted in the form of outbound remittances, they may still fall within the scope of this exemption Item.

Payee or its Entrusted Party with the Payee's consent in accordance with the terms of the contract, are exempt from the regulations (Item (iii) of Article 1-3(1), Draft Amendment to the Funds Transfer Ordinance). Payment collection services provided by transaction-platform operators will, in principle, fall within this exemption category (I-2-2-2(3), Draft Amendment to the Funds Transfer Administrative Guidelines) (see Figure 4 below⁵).

Figure 4



2.4. Cross-border payment collection services performed by entities recognized as having economic unity with the Payee

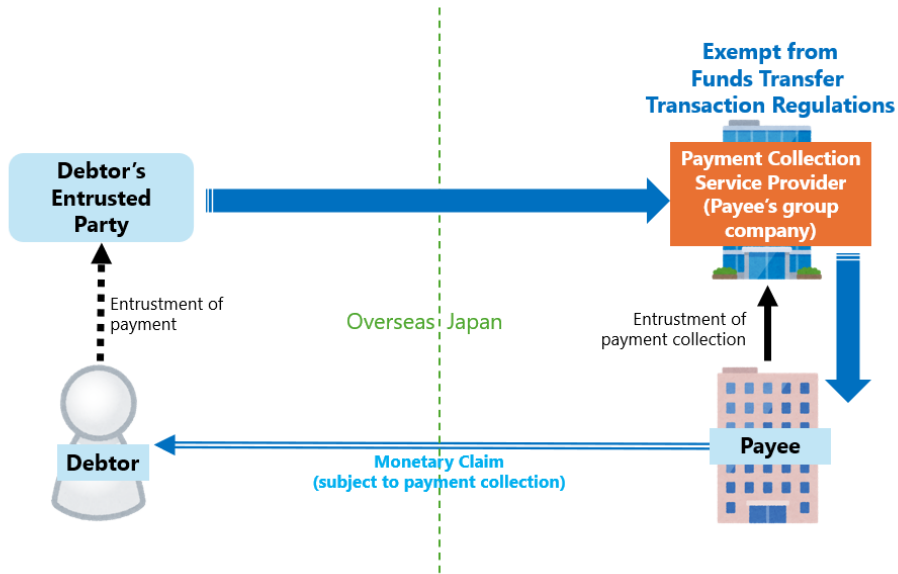
Where the Payee is another entity belonging to the same corporate group as the payment collection service provider in light of the economic unity between the payee and the payment collection service provider,⁶ any acts of receiving, or causing another party to receive, funds from the Debtor or its Entrusted Party as payment for a monetary claim held by the Payee, and subsequently delivering such funds to the Payee or its Entrusted Party, are exempt from the funds transfer transaction regulations (Item (iv) of Article 1-3(1), Draft Amendment to the Funds Transfer Ordinance). Payment collection services in which the Payee is another company belonging to the same corporate group as the payment collection service provider will, in principle, fall within this exemption category (I-2-2-2(4), Draft Amendment to the Funds Transfer Administrative Guidelines) (see Figure 5 below)⁷.

⁵ As with Figure 2, even if cross-border payment collection services provided by transaction-platform operators are conducted in the form of outbound remittances, they may still fall within the scope of this exemption Item.

⁶ The definition of 'economic unity' with the Payee is provided in Article 1-3(3) to (7) of the Draft Amendment to the Funds Transfer Ordinance.

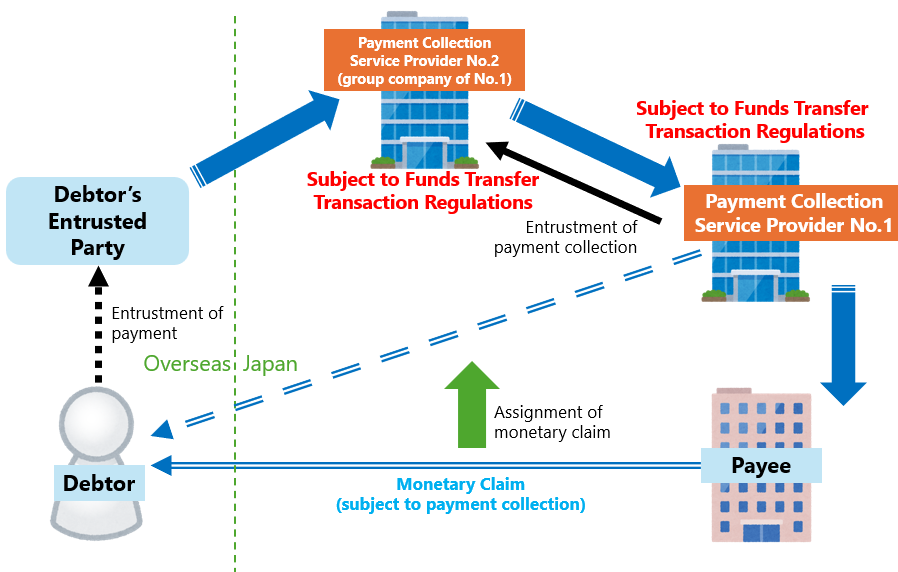
⁷ As with Figure 2, even if cross-border payment collection services, where the Payee and the payment collection service provider are recognized as having economic unity, are conducted in the form of outbound remittances, they may still fall within the scope of this exemption Item.

Figure 5



However, even where the Payee is another company belonging to the same corporate group as the payment collection service provider, the foregoing exemption does not apply if the Payee acquires the monetary claim from a third party for the purpose of circumventing the funds transfer transaction regulations (i.e., for the purpose of carrying out funds transfer transactions without being a registered funds transfer service provider) (parenthetical clause of Item (iv) of Article 1-3(1), Draft Amendment to the Funds Transfer Ordinance). For example, if a party that becomes the Payee by taking over a monetary claim from a third party pays the assignor an amount equivalent to the payment for the monetary claim collected, the exemption under this Item will not apply (1-2-2-2(4), Draft Amendment to the Funds Transfer Administrative Guidelines) (see Figure 6 below).

Figure 6



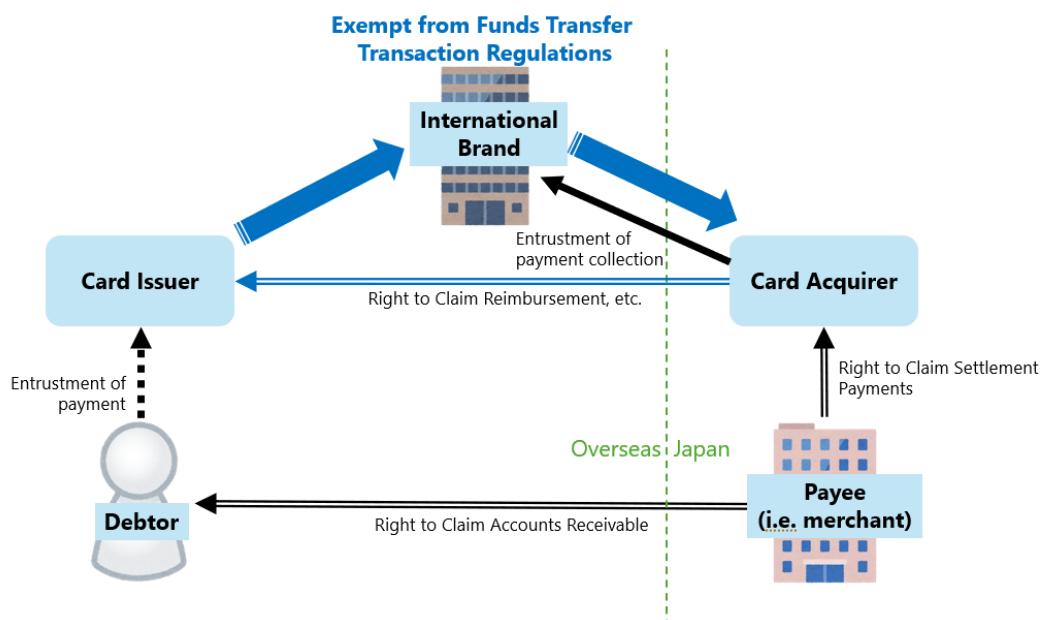
2.5. Cross-border payment collection services for which risk-mitigation measures are already in place under other laws

2.5.1 Cross-border payment collection services provided by specific international brands as part of clearing and settlement between issuers and acquirers of credit cards and similar instruments

Any payment collection services, which are provided by international brands of credit cards and similar instruments (those currently designated in the draft public notice,⁸ published together with other amendments, are: Visa, Mastercard, JCB, American Express, Diners, Discover Card, and UnionPay) in the course of the clearing and settlement processes for the receivables and payables arising from the use of the credit cards and similar instruments bearing their brands, are exempt from the funds transfer transaction regulations (Item (v)(a) of Article 1-3(1), Draft Amendment to the Funds Transfer Ordinance; 1-2-2-2(5), Draft Amendment to the Funds Transfer Administrative Guidelines) (see Figure 7 below⁹).

The WG Report states that "where cross-border payment collection services are expected to be carried out by entities and activities governed by other laws (such as clearing and settlement operations between credit card issuers and acquirers), certain risk-mitigation measures are considered to be provided by those laws" (p. 10, WG Report). This is considered the reason why cross-border payment collection services performed by international brands as part of the clearing and settlement operations between credit card issuers and acquirers are treated as exempt. This exemption category applies regardless of whether the clearing and settlement operations relate to payments made using credit cards, debit cards, or prepaid cards (i.e., prepaid payment instruments) (1-2-2-2(5), Draft Amendment to the Funds Transfer Administrative Guidelines).

Figure 7



⁸ <https://www.fsa.go.jp/news/r7/sonota/20251216/21.pdf> (Japanese only)

⁹ As with Figure 2, even if cross-border payment collection services, provided in the course of the international brands' clearing and settlement processes for the receivables/payables arising from the use of the credit cards and similar instruments, are conducted in the form of outbound remittances, they still fall within the scope of this exemption Item.

2.5.2 Cross-border payment collection services where the Payee is a merchant of credit cards or third-party prepaid payment instruments

(i) Payment collection services where the Payee is a credit card merchant

Where the Payee is a merchant or a service provider that has an existing agreement for handling credit card number, etc. (i.e., an agreement that allows the merchant to offer credit card payments as a payment method) with a business operator executing the agreement for handling credit card number, etc. who is registered business operator under the Installment Sales Act (the "Business Operator Executing Credit Card Number Handling Agreement") (Article 35-17-5(1)(v)(d), Installment Sales Act), any acts of receiving, or causing another party to receive, funds as payment for a monetary claim held by that Payee, and subsequently delivering such funds to the Payee or its Entrusted Party, are exempt from the funds transfer transaction regulations (Item (v)(b) of Article 1-3(1), Draft Amendment to the Funds Transfer Ordinance) (see Figure 8 below¹⁰).

Payment collection services where the Payee is a credit card merchant will, in principle, fall within this exemption category (I-2-2-2(6), Draft Amendment to the Funds Transfer Administrative Guidelines). It should be noted that the entity performing the payment collection services need not itself qualify as a Business Operator Executing Credit Card Number Handling Agreement; Item (v)(b) applies so long as the Payee is an entity that has entered into an agreement for handling credit card number, etc. with any Business Operator Executing Credit Card Number Handling Agreement (I-2-2-2(6), Draft Amendment to the Funds Transfer Administrative Guidelines).

(ii) Payment collection services where the Payee is a participating merchant of third-party prepaid payment instruments

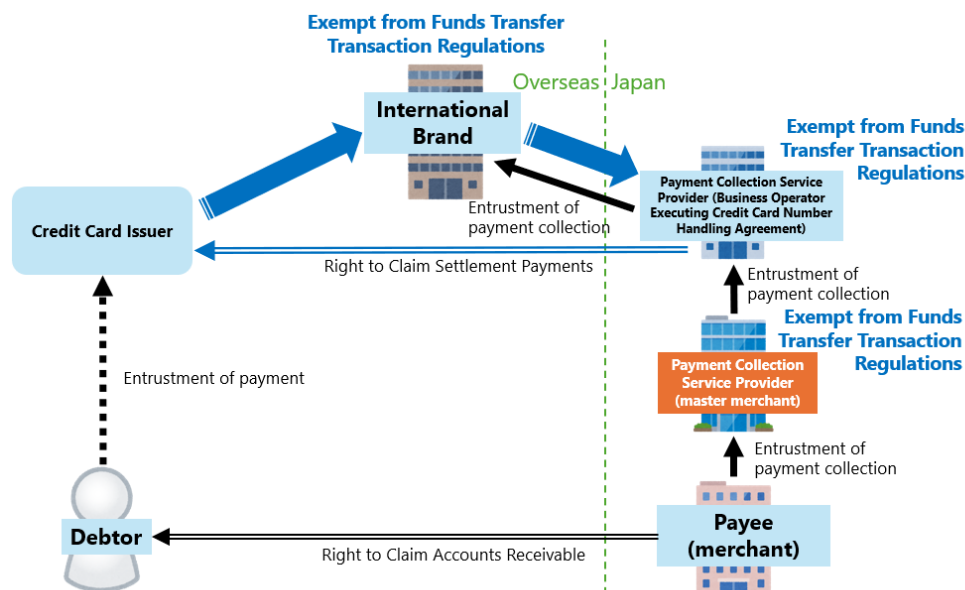
Where the Payee is a participating merchant of third-party prepaid payment instruments, any acts of receiving, or causing another party to receive, funds from the Debtor or its Entrusted Party as payment for a monetary claim held by that Payee, and subsequently delivering such funds to the Payee or its Entrusted Party, are exempt from the funds transfer transaction regulations (Item (v)(c) of Article 1-3(1), Draft Amendment to the Funds Transfer Ordinance). Payment collection services where the Payee is a participating merchant of third-party prepaid payment instruments issued by a third-party prepaid payment instruments issuer registered in Japan will, in principle, fall within this exemption category (I-2-2-2(7), Draft Amendment to the Funds Transfer Administrative Guidelines).

This type of cross-border payment collection services, where the Payee is a merchant accepting these payment methods, is eligible for exemption because such merchants are already subject to merchant due-diligence obligations imposed on the Business Operators Executing Credit Card Number

¹⁰ As with Figure 2, even if cross-border payment collection services, where the Payee is a merchant of credit cards or third-party prepaid payment instruments, are conducted in the form of outbound remittances, they still fall within the scope of this exemption Item.

Handling Agreement,¹¹ as well as to management obligations imposed on third-party prepaid payment instruments issuers.¹²

Figure 8



Note that where the Payee is an entity falling under the foregoing, a payment collection service may qualify for the exemption even if the payment is not actually made by credit card or by a prepaid payment instrument; however, the exemption is limited to payment collection services for transactions that are capable of being settled by credit card or a third-party prepaid payment instrument (I-2-2-2(6)(7), Draft Amendment to the Funds Transfer Administrative Guidelines).

2.6. Cross-border payment collection services performed on entrustment from an escrow service provider or a transaction-platform operator

Any acts of receiving, or causing another party to receive, funds from the Debtor or its Entrusted Party as payment for a monetary claim held by the Payee, and subsequently delivering such funds to the Payee or its Entrusted Party, through an entrustment from a party who performs the acts under Items (ii) and (iii) of Article 1-3(1) of the Draft Amendment to the Funds Transfer Ordinance (i.e., platform operators and escrow service providers) or other similar methods, are exempt from the funds transfer transaction regulations (Item (vi) of Article 1-3(1), Draft Amendment to the Funds Transfer Ordinance). Payment collection services performed on entrustment from an escrow service provider or a transaction-platform operator will, in principle, fall within this exemption category (I-2-2-2(8), Draft Amendment to the Funds Transfer Administrative Guidelines).

However, acts of transferring funds from the Debtor or its Entrusted Party located abroad to the Payee or its Entrusted Party located in Japan, through the acts under Items (ii) and (iii) of Article 1-3(1) of the Draft Amendment to the Funds Transfer Ordinance, are not included within the exemption if the relevant third party's inability to properly perform the acts under Item (vi) of Article 1-3(1) could

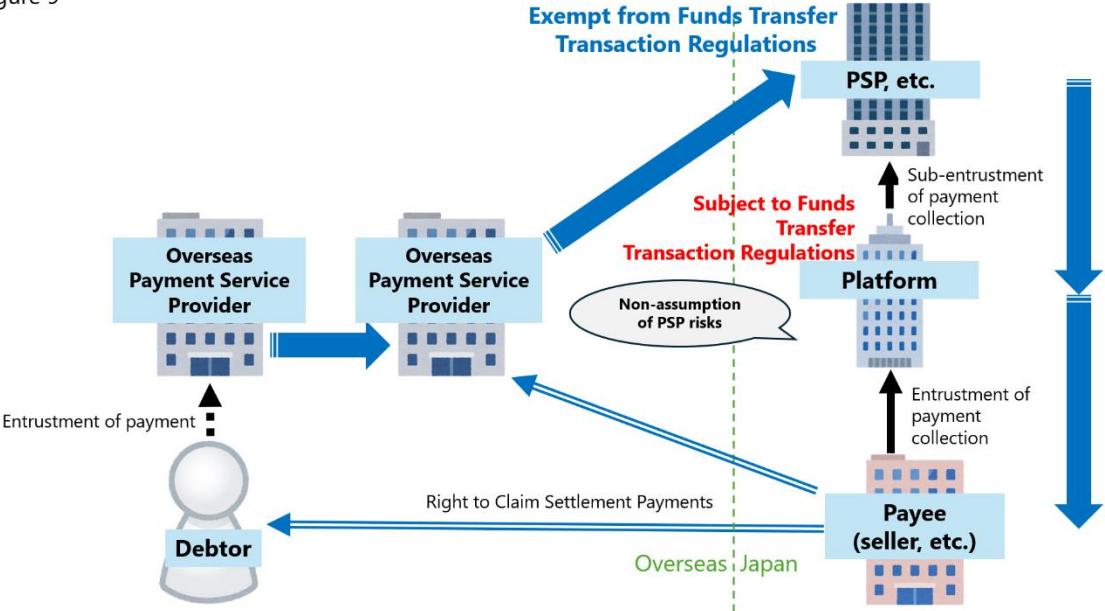
¹¹ Article 35-17-8(1), Installment Sales Act; Article 133-5, Ordinance for Enforcement of the Installment Sales Act

¹² Article 10(1)(iii), Funds Settlement Act

disrupt the smooth delivery of funds to the Payee or its Entrusted Party (Item (ii) of Article 1-3(2), Draft Amendment to the Funds Transfer Ordinance). This applies where a transaction-platform operator sub-entrusts the receipt or delivery of funds to another payment collection service operator, and the transaction-platform operator's sole responsibility to the Payee or its Entrusted Party is limited to selecting and supervising such sub-entrusted operator (1-2-2-2(9), Draft Amendment to the Funds Transfer Administrative Guidelines).

In other words, where an e-commerce platform (EC platform) sub-entrusts cross-border payment collection services to a payment service provider (PSP), both the EC platform and the PSP will generally qualify for the exemption. However, if the EC platform does not assume the risk of PSP's non-payment arising from such sub-entrustment to the Payee in Japan, the EC platform itself will not qualify for the exemption and will, instead, in principle, be subject to the funds transfer transaction regulations (see Figure 9 below¹³).

Figure 9



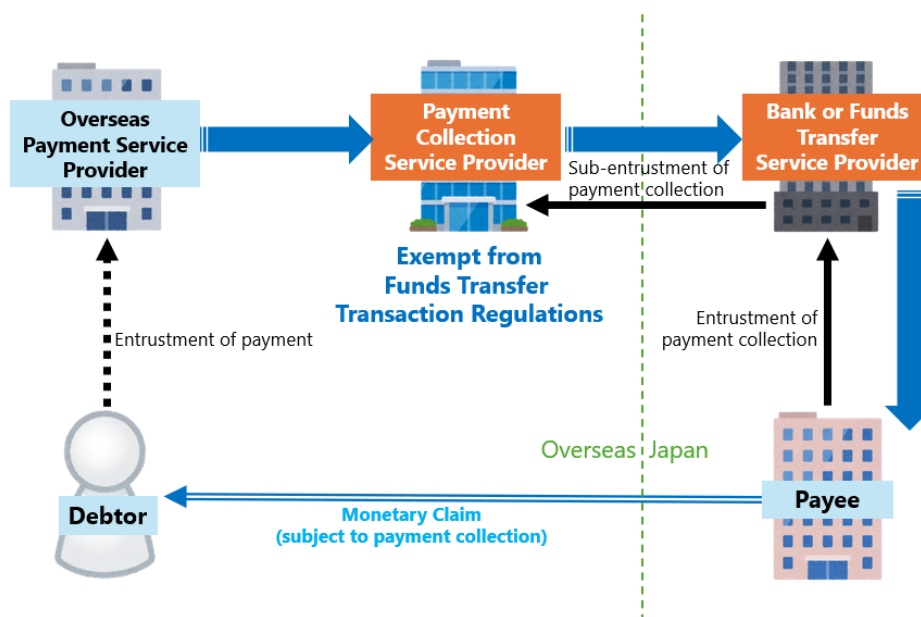
2.7. Cross-border payment collection services performed on entrustment from a bank or a funds transfer service provider

Any acts of receiving, or causing another party to receive, funds from the Debtor or its Entrusted Party as payment for a monetary claim, and subsequently delivering such funds to the Payee or its Entrusted Party, through an entrustment from a bank or equivalent institution or a funds transfer service provider or other similar methods, are exempt from the funds transfer transaction regulations (Item (vii) of Article 1-3(1), Draft Amendment to the Funds Transfer Ordinance). This is intended to cover

¹³ As with Figure 2, even if cross-border payment collection services performed on entrustment from an escrow service provider or a transaction-platform operator are conducted in the form of outbound remittances, they still fall within the scope of this exemption item.

cross-border payment collection services carried out under sub-entrustment from a bank or a funds transfer service provider (see Figure 10 below¹⁴).

Figure 10



3. Categories Subject to the Funds Transfer Transaction Regulations as Acts Having a Significant Risk of Compromising the Protection of Users

Even where an act falls within any of the exempt categories under Section II above, it will not qualify for exemption from the funds transfer transaction regulations if any of the following conditions are met, as such act will be considered an "act having a significant risk of compromising the protection of users" (Article 1-3(1)&(2), Draft Amendment to the Funds Transfer Ordinance).

3.1. Cross-border payment collection services where the Debtor's obligation is not extinguished

Cross-border payment collection services where the Debtor's obligation in respect of a monetary claim held by the Payee is not extinguished at the time funds are received by a payment collection service provider as payment for the monetary claim from the Debtor or its Entrusted Party (or, where another party is to receive the funds on the payment collection service provider's behalf, at the time such party receives the funds as payment) are not eligible for the exemption (Item (i) of Article 1-3(2) and Item (i) of Article 1-2, Draft Amendment to the Funds Transfer Ordinance).

3.2. Cross-border payment collection services where an escrow service provider or

¹⁴ As with Figure 2, even if cross-border payment collection services performed upon entrustment from a bank or a funds transfer service provider are conducted in the form of outbound remittances, they still fall within the scope of this exemption item.

a transaction-platform operator does not assume responsibility to the Payee

As stated in Section II., 6. (Cross-border payment collection services performed on entrustment from an escrow service provider or a transaction-platform operator) above, acts that transfer funds from the Debtor or its Entrusted Party located abroad to the Payee or its Entrusted Party located in Japan, through the acts under Items (ii) and (iii) of Article 1-3(1) of the Draft Amendment to the Funds Transfer Ordinance, are not eligible for the exemption where the relevant third party's inability to properly perform the payment collection services could disrupt the smooth delivery of funds to the Payee or its Entrusted Party (Item (ii) of Article 1-3(2), Draft Amendment to the Funds Transfer Ordinance).

3.3. Cross-border payment collection services in relation to gambling

Where the Payee is a party who engages in gambling or causes others to gamble, any acts of receiving, or causing another party to receive, funds related to gambling—including stakes, winnings, admission fees, commissions, or any other payments regardless of the name used—from the Debtor or its Entrusted Party as payment, and subsequently delivering such funds to the Payee or its Entrusted Party, are not eligible for the exemption (Item (iii) of Article 1-3(2), Draft Amendment to the Funds Transfer Ordinance).

3.4. Cross-border payment collection services related to monetary claims arising from actions aimed at acquiring securities, purchase or sale of securities, or derivative transactions

Where a monetary claim held by the Payee arises from actions aimed at acquiring newly issued securities, from the purchase or sale of securities, or from derivative transactions, any acts of receiving, or causing another party to receive, funds from the Debtor or its Entrusted Party as payment for that monetary claim, and subsequently delivering such funds to the Payee or its Entrusted Party, are not eligible for the exemption (Item (iv) of Article 1-3(2), Draft Amendment to the Funds Transfer Ordinance).

3.5. Cross-border payment collection services that contravene statutory provisions or public order or morals

Any acts similar to those set out in 3. and 4. above that contravene statutory provisions or public order or morals are not eligible for the exemption (Item (v) of Article 1-3(2), Draft Amendment to the Funds Transfer Ordinance).¹⁵

¹⁵ For example, this includes acts where the Payee is a person who engages, or who causes others to engage, in unilateral gambling in which one party knows the outcome, and whereby funds relating to such unilateral gambling are received, or caused to be received by another person, from the Debtor or its Entrusted Party as payment, and those funds are delivered to the Payee or its Entrusted Party (I-2-2-2(10), Draft Amendment to the Funds Transfer Administrative Guidelines).

4. Conclusion

The 2025 Amended PSA is scheduled to come into force on a date to be specified by Cabinet Order within one year from its promulgation (Article 1, Supplementary Provisions of the 2025 Amended PSA) and is therefore expected to take effect by June 2026 at the latest.¹⁶ After the 2025 Amended PSA takes effect, whether the funds transfer transaction regulations apply to cross-border payment collection services will be determined by reference to whether such services fall within the exemption categories described above; accordingly, each of those exemption categories will have significant practical importance. Because the Draft Amendment to the Funds Transfer Ordinance and the Draft Amendment to the Funds Transfer Administrative Guidelines do not necessarily disclose all operational details, close attention should be paid to the forthcoming responses to the public comments.

¹⁶ Providers of cross-border payment collection services that do not fall within any exemption category may, for six months from the effective date of the 2025 Amended PSA, continue to provide services as a business without registering as funds transfer service providers (Article 2(1), Supplementary Provisions of the 2025 Amended PSA). In addition, where an application for registration as a funds transfer service provider is submitted within the six-month period, the applicant may continue to provide services as a business without registering as a funds transfer service provider until a decision to grant or deny registration is made with respect to the application; provided, however, that this continuation is limited to a period not exceeding two years from the effective date of the 2025 Amended PSA (Article 2(2), Supplementary Provisions of the 2025 Amended PSA).

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