
CHAMBERS GLOBAL PRACTICE GUIDES

Blockchain & Crypto-Assets 2026

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Japan: Law and Practice

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Anderson Mori & Tomotsune





Law and Practice

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Anderson Mori & Tomotsune is one of the largest and most international Japanese law firms. It is best known for its long and established history of advising foreign companies on doing business in Japan and in cross-border transactions. The firm's main office in Tokyo is supported by two offices in Japan and eight overseas. It has one of the leading fintech practices in Japan. With extensive experience across all areas of fintech, its skilled lawyers provide innovative, up-to-date legal advice to clients in this fast-growing and

cutting-edge industry. Given the firm's long history of success and proven understanding of new technology, its advice is regularly sought in fintech-related matters. This includes applications for licences and regulatory approvals for start-ups, analysis of financial regulatory issues, development and marketing of innovative financial instruments, products and transactions and consultations and negotiations with supervisory regulatory authorities and self-regulatory organisations.

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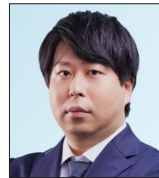
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1. Overview of Blockchain and Crypto-Assets

1.1 Blockchain

1.1.1 Evolution of Uses of Blockchain Recent Developments in the Adoption of Blockchain Over the Past 12 Months

Over the past year, the use of blockchain in Japan has undergone a notable transition from a phase centred on “speculative trading” to a phase of “implementation as part of a regulated financial infrastructure”. The key developments are as follows.

First, the launch of the stablecoin. On 27 October 2025, JPYC Inc. issued Japan’s first yen-denominated stablecoin, JPYC, under a fund remittance business operator license under the Payment Services Act (PSA).

Second, there is progress in the tokenisation of security tokens (STs), real estate and bonds. In addition to the development of an ST secondary market on the Osaka Digital Exchange, projects involving the tokenisation of the so-called Real-World Assets (RWAs), such as real estate Security Token Offerings (STOs), corporate bond STOs and municipal green bonds, are being continuously structured.

Third, there is progress on the amendment bill regarding the transition of crypto-assets under the Financial Instruments and Exchange Act (FIEA). On 10 December 2025, the “Working Group on Crypto-Asset Systems,” established by the Financial System Council, compiled a report on the appropriate framework for

crypto-asset systems (the “Working Group Report”). In response, on 10 April 2026, the “Bill to Partially Amend the Financial Instruments and Exchange Act and the Payment Services Act” (the “Amendment Bill”) was approved by the Cabinet and submitted to the 221st Diet session. The core of this amendment lies in transferring regulations concerning crypto-assets from the PSA to the FIEA.

The Working Group Report noted that the FIEA is based on the principle of establishing a comprehensive investor protection framework that covers a wide range of financial products with strong investment characteristics. It further noted that, as most crypto-asset transactions are conducted with the expectation of returns tied to price fluctuations, this aligns with the concept of “investment characteristics” that should be subject to regulation under the FIEA. Conversely, as crypto-assets generally do not represent any legal rights and do not involve the distribution of dividends or residual assets, their nature differs from that of securities under the FIEA. Therefore, it is considered appropriate to position them within the Act as a regulatory category distinct from securities.

Major Use Cases Currently Under Consideration

In practice, the cases currently under consideration for use are as follows. First, B2B and cross-border payments using stablecoins as a settlement mechanism. Several major financial institutions are exploring the use of JPY-denominated stablecoins and bank-issued deposit tokens for inter-company settlements and trade finance.

Second, RWA tokenisation. The tokenisation of assets that have traditionally lacked liquidity, such as real estate (STOs for beneficial interests), government bonds, private placement bonds, unlisted shares, renewable energy certificates and carbon credits, is under ongoing consideration.

Issues that May Affect Blockchain Adoption in the Next 12 Months

Preparations for the enforcement of the Amendment Bill regarding the transition of crypto-assets under the FIEA are the primary issue. The overall structure of the Amendment Bill is as follows. First, as a partial amendment to the FIEA, new provisions on information disclosure systems, business regulations and unfair trading regulations (including insider trading) related to crypto-assets will be established. Second, under the amended PSA, the crypto-asset exchange business under the current PSA and the portion of the PSA pertaining to crypto-asset brokerage activities and crypto-asset service brokerage businesses. Consequently, regulations concerning crypto-asset transactions will be centralised under the FIEA. The enactment of Cabinet Orders, Cabinet Office Orders and self-regulatory rules in preparation for enforcement will directly impact industry practices.

Harmonisation of Blockchain Businesses and Intellectual Property Laws

Regarding the relationship between the sale and purchase of NFTs and copyright, under Japanese copyright law, there is an established practical understanding that NFT token holders do not automatically acquire the copyrights (such as the right of reproduction, the right of public transmission and the right of adaptation) pertaining to the original work. The transfer of copyright requires a transfer agreement based on Article 61, Paragraph 1 of the Copyright Act. Consequently, a model has become established in NFT marketplaces whereby the copyright itself is retained by the original rights holder, while the terms of use permitting the purchaser to view, display on social media and exhibit commercially are specified in separate terms and conditions.

1.1.2 Regulatory Sandbox

The Japanese regulatory sandbox was introduced in June 2018 and can be used by both Japanese resi-

dents and foreign companies. It enables companies to apply for and receive approval for new and innovative projects and services that are not yet contemplated under current regulations, without the need to amend existing regulations. Approved projects may not be carried out as a business, but rather as a proof of concept or demonstration, under certain conditions, including limitations on the number of participants and the duration of operations. There are no limitations on the business sectors that can benefit from the sandbox.

1.1.3 Regulation of Blockchain Technology

The Japanese government generally takes a positive view of the use of blockchain technology across various businesses. For instance, in June 2019, the Japanese government published an “Action Plan of the Growth Strategy”¹, which discussed the importance of the use of blockchain technology, stating that “Artificial intelligence (AI), the Internet of things (IoT), robots, big data, blockchain... are general purpose technology (GPT) that broadly affect all industries, similar to the adoption of electric power from the 19th to 20th century and information technology (IT) inroads through the end of the 20th century”.

In addition, in July 2020, the Japanese government published a “Follow-up for Growth Strategy”², stating that, “In a decentralised financial system based on blockchain technology, where there are no regulated intermediaries, the Japanese government will lead the international discussion by actively contributing to the Blockchain Governance Initiative Network (BGIN) to achieve financial administrative objectives, such as financial system stability, user protection and prevention of money laundering”. On 18 June 2021, the Japanese Cabinet approved the “Growth Strategy (2021)”, which includes provisions to facilitate blockchain technology. The development of an ecosystem surrounding NFTs and security tokens is also specifically mentioned in the “Plans for Implementing Growth Strategy” paper published on the same date.

Furthermore, it was stipulated in a paper entitled “Grand Design and Action Plan for a New Form of Capitalism 2023 Revised Version”, which was approved by the Cabinet in June 2023, that the Japanese government would foster the development of an

environment for the promotion of Web3, including the use of NFTs and decentralised autonomous organisations (DAOs) based on blockchain technology.

The Web3 project team of the Digital Society Promotion Headquarters of the Liberal Democratic Party's Policy Research Council also published the "Web3 White Paper 2024" on 21 May 2024, followed by the "Web3 White Paper 2025" in May 2025, addressing various issues related to the promotion of Web3, including blockchain-based businesses.

There is no general legal framework in Japan that directly regulates blockchain technology itself (where no crypto-assets are involved). If a business using blockchain technology falls within a regulated industry, the relevant industry-specific regulations, eg, the Banking Act or the FIEA, will apply; and if the data being handled constitutes personal information, the Act on the Protection of Personal Information (APPI) and related regulations will apply.

With respect to the APPI in particular, the use of blockchain technology raises certain specific issues. Given that a public blockchain involves sharing a database among unspecified participants and that information recorded on the blockchain cannot, in principle, be deleted or retracted, the use of blockchain technology may pose compliance challenges under the APPI.

For example, Article 22 of the APPI requires business operators that handle personal information to endeavour to delete unnecessary personal information once the required purposes have been achieved. However, a business operator that records its users' personal information on a blockchain may have difficulty deleting it, which could result in a breach of this obligation under the APPI.

1.1.4 Smart Contracts

There is no clear definition of "smart contracts" under Japanese law. There is also no specific regulation for "smart contracts" in Japan.

"Smart contracts" are generally understood to be self-executing contracts whose terms are predetermined by specific programming code on the blockchain. The use of "smart contracts" may raise issues in terms

of their validity and enforceability as legal contracts. However, these issues may be offset by the fact that smart contracts are effectively enforceable regardless of their legal validity.

For instance, a "smart contract" will be automatically enforced and irrevocable, even if it is invalid or unenforceable for violating applicable law. There is currently no judicial precedent in Japan addressing the legal enforceability of these "smart contracts".

1.1.5 Industry and Trade Bodies

For the purposes of ensuring the proper provision of the Crypto Asset Exchange Service (CAES) and the Electronic Payment Instruments Exchange Service (EPIES) and to protect the users of those services, the Japan Virtual and Crypto assets Exchange Association (JVCEA) was appointed as an approved self-regulatory organisation to regulate Crypto-Asset Exchange Service Providers (CAESPs) and Electronic Payment Exchange Service Providers (EPIESPs). The primary objectives of the JVCEA are to:

- formulate self-governance rules;
- inspect its members to ensure they are complying with the relevant self-governance rules; and
- handle user complaints.

1.2 Crypto-Assets

1.2.1 Property Considerations

Under Japanese law, ownership rights generally do not apply to crypto-assets that lack a physical form. Therefore, while wrongful interference with control over crypto-assets, such as through hacking, may give rise to a tort claim for damages, a claim for return based on ownership would not be available.

As ownership rights do not apply to crypto-assets, the legal concept of a "transfer of ownership of crypto-assets" also does not exist. In practice, however, the transfer of tokens on a blockchain is treated as a transfer of the crypto-assets themselves.

For this same reason, a security interest cannot be created over crypto-assets themselves. However, if crypto-assets are deposited with a custodian, it is possible to create a pledge or similar rights over the claim to recover them from the custodian. It is there-

fore possible to provide financial services, such as loans, using the right to demand the return of crypto-assets as collateral.

1.2.2 Access to Banking

There are no statutory restrictions in Japan that prevent firms providing crypto-asset services from obtaining general banking or payment services. In practice, however, given the money laundering (ML) and terrorist financing (TF) risks associated with crypto-assets, unless such firms hold a registration as a CAESP, etc, they may face practical difficulties or significant delays in opening bank accounts and there have indeed been such cases.

1.2.3 ESG/Sustainable Finance

There does not appear to be any ESG/sustainable finance requirements that specifically apply to digital assets in Japan.

1.2.4 Tax

One of the most important issues in Japanese taxation of crypto-assets was the treatment of consumption tax. Before June 2017, the sale of crypto-assets was subject to consumption tax if the transferor's office was located in Japan. However, following tax reforms in 2017, transfers of crypto-assets conducted in Japan from July of that year onwards are no longer subject to consumption tax. However, it is important to note that the consumption tax is still applicable to compensation received in relation to the lending of crypto-assets.

With respect to individual income tax, the National Tax Agency of Japan treats gains realised from the sale or use of crypto-assets as “miscellaneous income” (*zatsu-shotoku*) and considers that taxpayers will not be permitted to utilise losses elsewhere to offset gains realised from the sale or use of “crypto-assets.” Furthermore, inheritance tax will be imposed on “crypto-assets” included in a deceased person's estate.

For corporate tax purposes, corporations must perform market value assessments of crypto-assets with an active market at the end of each fiscal year and record any difference between book value and market value as profit or loss. This end-of-period market val-

uation taxation poses a significant barrier for Japanese companies looking to enter the Web3 space.

However, the 2023 tax reform stipulates that end-of-period market valuation taxation does not apply if certain conditions are met, such as continuous ownership since issuance and compliance with transfer restrictions, for crypto-assets issued by the corporation itself at the end of the fiscal year.

Additionally, the 2024 tax reform allows for exemption from end-of-period market valuation taxation for non-self-issued crypto-assets held by a corporation at the end of the fiscal year, provided they meet certain conditions, such as compliance with certain transfer restrictions.

Further, alongside the amendments to the crypto-assets legislation, a major overhaul of individual income tax rules pertaining to crypto-assets transactions is planned. An outline of the financial year 2026 tax reform (approved by the Cabinet on 26 December 2025) stipulates that for the transfer of “specified crypto-assets” (ie, crypto-assets registered in the registry of crypto-asset service providers subject to regulation under the Amendment Bill of the FIEA), a three-year loss carry-forward will be permitted when the transaction is conducted through such a provider. This provision also applies to crypto-asset derivative transactions and beneficial interests in investment trusts that hold specified crypto-assets (ie, crypto-asset exchange-traded funds (ETFs)). The “Act for Partial Revision of the Income Tax Act, etc”, implementing these provisions was enacted on 31 March 2026; however, its effective date is contingent on the enactment of the parallel amendment to the FIEA, which was submitted to the Diet on 10 April 2026.

1.2.5 Insolvency

A separate special liquidation framework is applicable to CAESPs and EPIESPs. CAESPs and EPIESPs are therefore subject to general insolvency laws, such as bankruptcy laws. However, in terms of the right of customers to claim the return of “crypto-assets” deposited with a CAESP, the amended PSA states that a preferential right exists in relation to “crypto-assets” that the CAESP has segregated for its customers.

1.2.6 Industry and Trade Bodies

For the purposes of ensuring the proper provision of CAES and EPIES and protecting users of those services, the JVCEA was appointed as an approved self-regulatory organisation to regulate CAESPs and EPIESPs. The primary objectives of the JVCEA are to:

- formulate self-governance rules;
- inspect its members to ensure they are complying with the relevant self-governance rules; and
- handle user complaints.

2. Regulation

2.1 Regulators and International Alignment

The main regulatory body for fintech businesses is the JFSA, including the local finance bureaus to which it has delegated certain aspects of its authority. The JFSA administers the registration system for CAESPs and EPIESPs and oversees their day-to-day operations. In addition, in the event of serious issues, such as violations of laws and regulations by CAESPs or EPIESPs, the JFSA has the authority to independently issue administrative actions, such as business improvement orders. The JFSA's regulatory and supervisory approach is to enhance user protection while also fostering innovation. In practice, however, regulations have been tightened to protect users in the event of an incident (such as a hacking incident).

The Financial Action Task Force (FATF) has been influential in the development of fintech-related regulations in Japan. For instance, the Guidance for a Risk-based Approach to Crypto-Assets by the Financial Action Task Force ("FATF Guidance") in June 2015 was the trigger for the introduction of regulations on crypto asset exchanges in Japan.

As a recent reaction to the FATF's activities, the so-called "FATF Recommendations Response Bill," which was submitted to the Diet by the Cabinet Secretariat on 26 October 2022, was passed by the Diet on 2 December 2022. The Bill was created in response to the Mutual Evaluation Report published by the FATF on 30 August 2021, which recommended that Japan should revise its laws to strengthen measures against anti-money laundering (AML) and countering

the financing of terrorism (CFT) in Japan, including by strengthening asset freezing measures and enhancing measures to deal with crypto assets. In order to strengthen Japan's AML/CFT measures, six legislative acts, including the Act on Prevention of Transfer of Criminal Proceeds and the Foreign Exchange and Foreign Trade Act, were amended collectively. The amendments entered into force in stages through 1 April 2024. Specifically, the major changes are (i) the introduction of a travel rule for CAESPs and EPIESPs and (ii) the introduction of an obligation for banks, CAESPs and EPIESPs to establish a system for asset freezing measures.

Furthermore, the JFSA proactively contributes to the FATF's activities; for instance, a senior JFSA official serves as the Co-Chair of the Policy Development Group (PDG).

The JFSA also places importance on the regulations and recommendations of the Bank for International Settlements (BIS) and the International Organisation of Securities Commissions (IOSCO). For example, the JFSA has submitted the Amendment Bill to the Diet, which includes provisions that would subject crypto assets to insider trading regulations, a move considered in line with IOSCO's recommendations.

2.2 Crypto-Asset Regulatory Frameworks Overview of the Regulatory Framework Under the Current PSA

A person who engages in the purchase and sale of crypto-assets as a business is required to be registered as a CAESP under Article 63-2 of the PSA. Only CAESPs are permitted to engage in CAES. The PSA requires a person who provides CAES to be registered with the JFSA. A person who engages in CAES without registration is punishable by confinement punishment (*koukin-kei*) for a term not exceeding three years or by a fine not exceeding JPY3 million or both under Article 107, Item 5 of the amended PSA.

Definition of "Crypto-Asset"

The term "crypto-asset" is defined in the amended PSA as follows.

- A proprietary value (limited to that recorded on electronic devices or other objects by electronic

means and excluding Japanese and other foreign currencies and “currency-denominated assets” – the same applies in the following bullet point) which may be:

- (a) used to pay an unspecified person the price of any goods, etc, purchased or borrowed or for any services provided;
 - (b) sold to or purchased from an unspecified person; and
 - (c) transferred using an electronic data processing system.
- A proprietary value which may be:
 - (a) exchanged reciprocally for a proprietary value specified in the preceding bullet point with an unspecified person; and
 - (b) transferred using an electronic data processing system.

“Currency-denominated assets” are assets denominated in Japanese yen or another foreign currency. These assets do not fall within the definition of crypto-assets. For example, prepaid e-money cards are usually considered “currency-denominated assets”. If a coin issued by a bank is guaranteed to have a certain value vis-à-vis fiat currency, this coin is unlikely to be deemed a “crypto-asset” but will be considered a “currency-denominated asset” instead.

Definition of “Crypto-Asset Exchange Services”

The term CAES means any of the following acts carried out as a business:

- sale and purchase of crypto-assets or exchange of crypto-assets for other crypto-assets;
- intermediary, brokerage or delegation of the sale, purchase or exchange;
- management of users’ money in connection with these acts; or
- management of crypto-assets for the benefit of another person.

Overview of the Regulatory Framework Under the Amendment Bill of the FIEA

As noted above, under the Amendment Bill of the FIEA, new provisions regarding information disclosure systems, business regulations and unfair trading regulations (including insider trading regulations) related to crypto-assets will be established.

In relation to the information disclosure systems, the Amendment Bill of the FIEA categorises crypto-assets with a centralised administrator (“specified crypto-asset issuer”) as “specified crypto-assets” and distinguishes them from other crypto-assets (including Bitcoin and similar crypto-assets).

Specifically, the Amendment Bill of the FIEA essentially maintains the abovementioned definition of “crypto-assets” under the PSA, while singling out those types of crypto-assets where there is a centralised administrator and information asymmetry between said administrator and users as “specified crypto-assets,” and introducing issuer-based information disclosure regulations similar to those for securities.

“Specified Crypto-Assets” refers to “crypto-assets for which only a specific person has the authority to issue such crypto-assets (including those specified by Cabinet Office Ordinance as being similar thereto)”. Furthermore, a “Specified Crypto-Asset Issuer” refers to “a person who issues or intends to issue Specified Crypto-Assets (with respect to Specified Crypto-Assets specified by a Cabinet Office Ordinance under the preceding paragraph, a person specified by a Cabinet Office Ordinance).”

The Working Group Report indicates a direction to define, via a Cabinet Office Ordinance, that crypto-assets based on permissioned blockchains and those issued based on foundational token standards, such as ERC-20, fall under the category of Specified Crypto-Assets. However, as the actual issuance and operational practices vary widely and individual determinations may be necessary based on the specific roles played by issuers and the actual provision of information to users, the scope of “similar items” in the Cabinet Office Ordinance is expected to be a key point of discussion in the future.

2.3 Regulated Firms and Legal Wrappers

Where a fund (a legal wrapper) is used so that investors invest in a fund that conducts crypto-asset transactions rather than directly engaging in such transactions, the regulatory treatment depends on the specific scheme of the relevant fund.

For example, funds in the form of collective investment schemes that invest in crypto-assets are subject to the same rules and regulations as other investment funds that take the form of a partnership. Therefore, in order to solicit investments, the operator of the fund must register as a Type 2 Financial Instruments Business Operator (FIBO) unless:

- there are no more than 49 non-professional investors with one or more professional investors and notification in connection therewith has been made to the JFSA; or
- the fund delegates its solicitation and marketing activities to a registered Type 2 FIBO.

In order for the fund operator to obtain registration as a Type 2 FIBO, the application must be filed with the relevant Local Finance Bureau and undergo a registration review. Once registered, a Type 2 FIBO is required to maintain a minimum capital of JPY10 million under the FIEA and is also required to adhere to certain codes of conduct that seek to protect the interests of investors, including, but not limited to, the duty of loyalty, the duty of care of a good manager, the suitability rule, disclosure obligations, advertising restrictions and the prohibition against compensating customers for their losses.

The operator of a fund that mainly invests in crypto-assets is not required to register as an investment management business operator, as that registration obligation applies only when an operator mainly invests in securities and derivatives. Note that, under the Amendment Bill of the FIEA, investment management activities involving crypto-assets (in the spot market) as investment targets are expected to fall within the scope of the investment management business regulations under the FIEA.

In addition, investment in crypto-assets by the operator of a fund is not likely to trigger the requirement to register as a CAESP because the trading of crypto-assets for the fund's own investment purposes is not considered to be the trading of crypto-assets "as a business", which is one of the requirements for the registration obligation.

2.4 Token Issuance

Although the PSA does not expressly regulate ICOs, if the issuer itself sells the tokens, such activity is likely to fall within the scope of CAES. In addition, the JVCEA's "Rules for Selling New Crypto-Assets" (the "ICO Rules") set out detailed rules governing ICOs.

Under the ICO Rules, there are two types of ICOs which can be described as follows:

- (i) an offering where a CAESP issues new tokens and sells such tokens by itself; or
- (ii) an offering where a token issuer delegates the sale of newly issued tokens to a CAESP.

In practice, token issuance is often carried out through the method described in (ii) above, which is referred to as an Initial Exchange Offering (IEO).

Generally speaking, under the ICO Rules, the following requirements apply for both types of ICOs:

- maintenance of a system for review of the targeted business that raises funds via ICOs;
- disclosure of information on the token, the token issuer, the targeted business and the like;
- segregated management of funds (both fiat and crypto-assets) raised by an ICO;
- proper account processing and financial disclosure of funds raised by an ICO;
- safety assurance in respect of the newly issued tokens, their blockchain, smart contracts, wallet tools and the like; and
- proper valuation of newly issued tokens.

Furthermore, amendments to the FIEA are expected to impose disclosure requirements on crypto-asset issuers (where applicable) that are similar to the disclosure regime applicable to securities.

2.5 Market Abuse

Under the current FIEA, regulations regarding crypto-assets, such as general prohibitions on misconduct and bans on the dissemination of false rumours, fraudulent schemes and market manipulation, are in place, similar to the regulations governing unfair trading of listed securities and other instruments; however, there are no provisions directly regulating insider

trading. In light of international developments and to ensure fair trading, the Amendment Bill to the FIEA will establish a regulatory framework for insider trading in crypto-assets based on the framework for listed securities. Specifically, the amendments will prohibit persons in a special position (insiders) with access to “material facts” from engaging in trading or similar activities prior to the public disclosure of such facts.

Specifically, Article 171-7, paragraph 1 of the Amendment Bill of the FIEA stipulates that persons related to a specified crypto-asset issuer (eg, officers of a specified crypto-asset issuer) who have become aware of material facts concerning specified crypto-assets, etc, may not, until after the public disclosure of such material facts, engage in trading or other transactions involving such subject specified crypto-assets until such material facts have been publicly disclosed.

2.6 Non-Compliance

In 2018, following the leakage of users’ crypto-assets worth approximately USD530 million from a cyber-attack on one of the biggest CAESPs, the JFSA conducted sweeping on-site inspections of registered and provisional CAESPs. This was followed by the JFSA’s announcement on 8 March 2018 that it was imposing business suspension orders on two provisional CAESPs and business improvement orders on two registered CAESPs and three provisional CAESPs. After further review, the JFSA also imposed business improvement orders on six additional major registered CAESPs on 22 June 2018. In addition, on 21 June 2019, the JFSA imposed a business improvement order on a CAESP for inadequacies in its business management, AML/CFT and risk management systems, among other things.

On 10 November 2022, FTX Japan received an administrative disposition from the JFSA, including a business suspension order and a business improvement order, amid the financial difficulties experienced by its parent company, FTX Trading Limited. On 11 November 2022, FTX Trading and its group companies filed for Chapter 11 bankruptcy protection under the US Federal Bankruptcy Code. The filing included FTX Japan and its parent company, FTX Japan Holdings. More recently, on 26 September 2024, the JFSA issued a business improvement order to a registered

CAESP in response to the unauthorised outflow of approximately 4,500 BTC. It cited serious deficiencies in system risk and information security controls and measures to prevent these incidents (eg, centralised key management and insufficient wallet diversification).

Additionally, the JFSA has been issuing warnings to CAESPs (including offshore entities) that offer services to residents of Japan without registering with the JFSA, instructing them to cease these activities immediately. In 2023, the JFSA announced it had issued four of these warnings and in 2024, it announced it had issued six. Furthermore, according to media reports, in early February 2025, the JFSA requested that Apple and Google remove the mobile applications of the five exchanges that had been the subject of the 2024 warnings from their Japan-facing app stores and both platforms complied.

The JFSA’s enforcement stance is expected to remain consistent in principle going forward. However, the impact of the above amendment to the FIEA on this enforcement stance should continue to be monitored.

3. Licensing and Set-Up Requirements

3.1 Licensing Requirements

As described in 2.2 **Crypto-Asset Regulatory Frameworks**, under the PSA, a person who, as a business, engages in:

- the purchase and sale of crypto-assets or the exchange of crypto-assets for other crypto-assets;
- the intermediary, brokerage or delegation of such acts;
- the management of users’ money in connection with these acts; or
- the management of crypto-assets for the benefit of another person,

is required to register as a CAESP.

The registration requirement applies to operators that provide CAES to residents of Japan, regardless of where the operator itself is located. Accordingly, even an overseas operator without a physical presence in

Japan must obtain a CAESP registration if it provides CAES to residents of Japan. As described in **6.1 Payments**, the JFSA has been issuing warnings to such unregistered overseas operators.

Note that a person engaging in the new “Crypto-Asset Transaction Business” must be registered with the JFSA as an FIBO under the Amendment Bill of the FIEA. The Crypto-Asset Transaction Business covers the following activities:

- (i) the purchase and sale of crypto-assets (including the exchange of crypto-assets for other crypto-assets);
- (ii) the intermediary, brokerage or delegation of such purchase and sale;
- (iii) the underwriting of Specified Crypto-Assets;
- (iv) the offering or sale of Specified Crypto-Assets;
- (v) the handling of solicitation for the acquisition of Specified Crypto-Assets;
- (vi) the management of users’ money in connection with the activities listed in (i) through (v);
- (vii) the management of crypto-assets for the benefit of another person; and
- (viii) the borrowing of crypto-assets.

The bill includes transitional measures outlined below.

- Existing CAESPs registered under the PSA on the effective date (excluding those that are also FIBOs) may continue to engage in the Crypto-Asset Transaction Business (excluding crypto-asset borrowing; the same applies hereinafter) without obtaining a FIBO registration under the FIEA for a period of six months from the effective date.
- Existing FIBOs that are registered as CAESPs under the PSA on the effective date may continue to engage in the Crypto-Asset Transaction Business without obtaining a registration change under the FIEA for a period of six months from the effective date.
- Where any such existing operator under (i) or (ii) above files an application for FIBO registration or a registration change within that six-month period, it may continue to operate until such registration or change is granted or refused, subject to a maximum extension period of two years from the effective date.

3.2 Set-Up Requirements

Applicants for CAESP status are required to be (i) stock companies (*kabushiki-kaisha*) or (ii) foreign CAESPs with an office and representative in Japan and registered or licensed in a foreign country. Accordingly, any foreign entity wishing to register as a CAESP must establish either a subsidiary (in the form of a *kabushiki-kaisha*) or a branch in Japan. To date, however, no instances of registration as a branch have been approved by the JFSA. Thus far, all foreign CAESPs have established subsidiaries in Japan and have obtained registration of those subsidiaries.

In addition, applicants must have:

- a sufficient financial base (ie, a minimum capital of JPY10 million and positive minimum net assets);
- a satisfactory organisational structure and certain internal systems for the appropriate and proper provision of CAES; and
- internal systems to ensure compliance with applicable laws and regulations.

Applicants must submit a registration application containing, among others:

- its trade name and address;
- the amount of its capital;
- the names of its directors;
- the names of the crypto-assets it will handle;
- the content of and the means by which it will provide the relevant CAES;
- the names of outsourcees (if any) and the addressees thereof; and
- the method by which the management of its users’ assets will be segregated from the management of its own assets.

A registration application must be accompanied by certain attachments, including:

- a document pledging that there are no circumstances constituting grounds for refusal of registration;
- an extract of the certificate of residence of the applicant’s directors, etc;
- the résumés of the applicant’s directors, etc;
- a list of the applicant’s shareholders;

- the applicant's financial documents;
- documents regarding the establishment of an internal system for ensuring proper and secure provision of CAES by the applicant;
- an organisational chart in respect of the applicant;
- the applicant's internal rules; and
- a form of the contract to be entered into with users.

During the registration process, the JFSA will request that applicants complete a checklist consisting of more than 400 questions to verify that they have established internal systems for the proper and secure provision of CAES.

In addition, the JFSA will separately prepare a detailed progress chart for purposes of verifying the checking process. The registration process essentially serves as a due diligence exercise by the JFSA to determine whether to approve an applicant's registration. To make progress in the registration process, it is necessary for an applicant to add a number of executives and employees with practical experience in Japanese financial institutions to its organisational chart, to develop various internal regulations equivalent to those of financial institutions, to invest in systems to ensure that the services provided are appropriate and to go through checks by the JFSA.

3.3 Change of Control

CAESPs and EPIESPs must promptly report any changes in their major shareholders to the JFSA. A major shareholder is defined as a shareholder that holds 10% or more of the voting rights. Although prior approval of a major shareholder is not required, it is common practice to notify the regulatory authorities of a proposed new major shareholder in advance whenever possible.

3.4 Passporting

There is no regime in Japan that allows financial licences to be passported into other jurisdictions.

4. Cross-Border Services

4.1 Marketing

As described in 3.1 **Licensing Requirements**, a foreign entity is not permitted to conduct any transaction

pertaining to CAES with residents in Japan unless it is registered as a CAESP and is further prohibited from soliciting any such transaction. In this regard, acts such as posting advertisements concerning transactions pertaining to CAES on any websites, etc (the "Advertisement"), by a foreign entity are, in principle, deemed to constitute solicitation of residents in Japan.

However, such Advertisement shall not be deemed to constitute solicitation of persons in Japan as long as reasonable measures are taken to prevent the Advertisement from leading to transactions pertaining to CAES with persons in Japan, including, among others, the following measures:

Disclaimer

A foreign entity must include a disclaimer in each advertisement clearly stating that it does not provide its services to customers in Japan. The disclaimer must satisfy the following requirements:

- no additional use of any computer or device (other than for viewing the Advertisement) is required for reading and understanding the disclaimer; and
- the disclaimer must be in a language reasonably deemed readable and understandable by those in Japan accessing the website.

Measures to Prevent Transactions with Customers in Japan

A foreign entity must take the following measures to prevent transactions pertaining to CAES with customers in Japan:

- at the time of a transaction, the foreign entity must implement a procedure to confirm the customer's country/jurisdiction of residence by requiring the customer to submit his/her address, mailing address, e-mail address, payment method and other information;
- in cases where there are reasonable grounds to believe that a transaction pertaining to CAES has been clearly concluded with customers in Japan, the foreign entity must take care not to accept any orders from such customers in Japan; and
- the foreign entity must be attentive in ensuring that it does not conduct any act of inducing customers in Japan to engage in transactions pertaining to

CAES (eg, establishing a call centre for customers in Japan or linking websites targeted at customers in Japan).

Conversely, there is no express statutory exemption corresponding to reverse solicitation under the PSA.

Note that, under the Amendment Bill of the FIEA, a Foreign Crypto-Asset Transaction Business Operator (meaning a person, other than a FIBO, that engages in the Crypto-Asset Transaction Business in a foreign country in accordance with the laws and regulations of such foreign country) may, without obtaining a registration for the Crypto-Asset Transaction Business, be permitted to (i) conduct transactions with a FIBO (limited to those engaging in the Crypto-Asset Transaction Business) as the counterparty or in other cases prescribed by Cabinet Order or (ii) conduct transactions in response to orders received from residents in Japan without solicitation, among others; however, the details remain subject to the forthcoming Cabinet Order.

4.2 White Labelling

Even where an external firm uses a white-label solution that leverages the licence of an existing licensed entity, the external firm must obtain the necessary financial licences, such as a CAESP, FIBO or other applicable licences, in accordance with the crypto-assets or other financial products that it sells.

5. Decentralised Finance

5.1 Ability to Use DeFi

Under Japanese law, it is unclear whether activities related to decentralised finance, including those involving decentralised exchanges, fall within the scope of CAES as defined in the PSA. Accordingly, when considering the provision of DeFi services in Japan, it is necessary to examine on a case-by-case basis whether such services constitute CAES.

In addition, the Working Group Report included the status of its policy considerations regarding DeFi. According to the report, with respect to DeFi developers, the Financial System Council intends, while monitoring developments in other jurisdictions, to consider

an appropriate regulatory approach tailored to the technical characteristics of protocols, which would differ from the current regulatory framework applicable to CAESPs. The report also states that, for providers of user interfaces (UIs), such as applications that connect to DeFi services and are made available to residents in Japan, the Council intends first to deepen its understanding of the actual services provided through such UIs, while keeping a close eye on regulatory developments in other jurisdictions, with a view to imposing proportionate and risk-based regulation. This may include a duty to explain the risks associated with the connected service and AML/CFT measures, such as know-your-client (KYC) obligations.

As noted above, the JFSA is still considering its regulatory response to DeFi and, in practice, CAESPs in Japan are not permitted to utilise DeFi in connection with the provision of their products and services.

5.2 DeFi Structures

As set out above, under Japanese law, it is unclear whether DeFi-related activities fall within the scope of CAES. If such activities do constitute CAES, registration as a CAESP would be required and in that case, it would be necessary to establish a stock company (*kabushiki kaisha*). However, in practice, it would generally be difficult to operate DeFi in compliance with existing CAES regulations.

Conversely, if DeFi-related activities do not fall within the scope of CAES or other regulated activities, there are no particular restrictions on the corporate structure. Nevertheless, under the Companies Act, if a foreign company continues to conduct business in Japan, it must appoint a representative in Japan and register the company accordingly.

5.3 Liability

At present, we are not aware of any specific cases in which regulators or courts in Japan have held service providers liable for activities related to DeFi.

As noted above, although it is not clear whether DeFi-related activities fall within the scope of CAES, if issues such as consumer harm were to arise, those activities could be construed as constituting CAES and criminal liability might also be pursued on that basis.

6. Payments and Stablecoins

6.1 Payments

In Japan, if a monetary obligation is discharged by transferring crypto-assets, such discharge would be regarded as substitute performance under the Civil Code. There are no specific regulations applicable to substitute performance using crypto-assets.

6.2 Stablecoins

6.2.1 Fiat Currency and Algorithmic Stablecoins

Stablecoins that can be redeemed in fiat currencies (also known as “fiat-backed stablecoins”) will be regulated as electronic payment instruments (EPIs). Non-fiat-backed stablecoins, such as DAI, are regarded as crypto-assets under Japanese regulations.

6.2.2 Stablecoin Regulation

The previous Bill for the Amendment of the PSA was passed by the Diet and promulgated in June 2022, before it came into force on 1 June 2023. The amendments aimed at introducing new regulations on stablecoins.

Under the relevant regulations:

- stablecoins that are redeemable for fiat currencies (also known as fiat-backed stablecoins) will be regulated as EPIs. Non-fiat-backed stablecoins, such as DAI, will continue to be regarded as crypto assets;
- persons permitted to issue EPIs directly to Japanese residents are limited to banks, funds transfer service providers, trust banks and trust companies that are licensed in Japan;
- an entity that (a) sells or purchases EPIs, (b) acts as an intermediary, a broker or an agent for the issuance, sale and/or purchase of EPIs and/or (c) provides custody services of EPIs, as a business, is required to undergo licensing as an EPIESP; and
- an EPIESP is subject to AML/CFT regulations, including the travel rule.

More specifically, an EPIESP is required to provide information on a customer’s identity when transferring EPIs to any other EPIESP upon the customer’s instructions. Moreover, an EPIESP that continuously sends or receives EPIs to or from overseas virtual

asset service providers (VASPs) must verify that such VASPs are conducting appropriate due diligence on users for AML/CFT purposes.

6.2.3 Backing Assets

Trust banks and trust companies are eligible to issue stablecoins as trust-beneficial interests. Stablecoins of this type are classified as “Category III EPI”. The issuers of such stablecoins are responsible for redeeming them only to the extent of the value of the trust assets underlying the stablecoins. Accordingly, if the value of the trust assets decreases, the amount redeemable by holders of the stablecoins will correspondingly decline. To ensure continued linkage of the value of the relevant trust beneficial interests to legal tender and to secure redemption at face value, the relevant regulations before the 2025 amendment required that the entire amount of the reserve assets backing the specified trust beneficial interests be managed in demand deposits.

However, since Japan introduced a regulatory framework for EPIs, other major jurisdictions, such as the United States and the European Union, have adopted regulatory systems that allow the reserve assets underlying stablecoins to be held in instruments other than deposits, including government bonds. Consequently, the approach in Japan has been criticised as lacking balance relative to international standards. Considering these international developments, the 2025 amendment of the relevant regulations, which entered into force in 2026, allows reserve assets backing Category III EPIs to be managed, to a certain extent, in government bonds and other securities prescribed by the relevant Cabinet Office Ordinance.

6.2.4 Special Considerations

To date, no special considerations have been noticed in Japan.

7. Tokenisation and Real-World Assets

7.1 Treatment

Several RWA token projects are currently in development in Japan, such as the “Sake World NFT”, which operates a marketplace for NFTs called “Sake Tickets” that are redeemable for Japanese sake and “NOT A

HOTEL,” a service selling fractional ownership rights in vacation homes as NFTs. The issuance and sale of tokens representing rights to various RWAs (RWA Tokens) in Japan is expected to continue in the foreseeable future.

There is, however, no specific definition or regulatory framework for RWA Tokens under Japanese law. As a result, their legal nature must be determined on a case-by-case basis according to the functions and purposes of the RWA Token in question.

Against this backdrop and given the existing issues surrounding the legal nature of RWA Tokens, efforts have been made to provide greater legal certainty. More specifically, in the FY2023 Supplementary Budget Project “Demonstration Project for Building Digital Public Goods Utilising Web3.0 and Blockchain”, implemented by the Social Implementation Promotion Centre under the Ministry of Economy, Trade and Industry (METI), “The Guidelines for Utilising RWA Tokens” were published in February 2025 for the purpose of clarifying the legal issues related to RWA Tokens.

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