



GPI

Global Partnership
for Financial Inclusion

G20 National Remittances Plan

Japan 2023

Biennial Update

Country remittances profile: Japan

1. Overview of outflows and inflows

Japan is mainly a remittance-sending country, and the Japanese Government has been taking measures regarding remittances from the perspectives of both convenience and protection of users. As for the latest state of remittance, the outflow in 2022 was 4.49 billion dollars according to national statistics (“the Balance of Payments”). This is based on the same definition used for Japan’s National Remittance Plan (NRP) 2021; personal remittances are the sum of two main components: “compensation of employees” and “personal transfers.” The outflows for the last 3 years according to the Balance of Payments are as below.

	Outflows	Inflows
2020	8.50 billion \$	5.04 billion \$
2021	5.85 billion \$	5.05 billion \$
2022	4.49 billion \$	5.32 billion \$

Regarding the situation of migrants in Japan, the number of foreign residents at the end of 2022 in Japan was 3,075,213. The ratios of migrants to total population in Japan for the last 3 years are as below.

2022	2.46%
2021	2.20%
2020	2.29%

In terms of the status of residency, those with the status of “Permanent Resident,” “Technical Intern Trainee,” “Engineer,” or “Specialist in Humanities and International Services” constituted the largest group.

2. Competition in the market

As the Banking Act, etc. allows only banks, etc. to provide funds transfer transactions, the main corridor for international remittances sent is limited to banks, etc. licensed under the Banking Act, etc. or by fund transfer service providers that are registered under the Act on Financial Settlements. As of December 2023, the total number of funds transfer service providers was 82 and increased by 2 as compared with September 2021. There is no specific incentive for remittance service providers to promote competition in Japan.

The average cost of sending \$200 in the first quarter of 2023 was 6.96% according to the latest version of “Remittance Prices Worldwide” published in June 2023. It decreased by 3.54 % as compared with the first quarter of 2021 (10.50%).

2020 4Q	2021 1Q	2021 2Q	2021 3Q	2021 4Q	2022 1Q	2022 2Q	2022 3Q	2022 4Q	2023 1Q	2023 2Q
10.02%	10.50%	8.50%	7.95%	7.52%	7.35%	7.58%	7.82%	7.22%	6.96%	7.09%

3. Regulatory environment

As a notable update to the regulatory environment since the last version of the National Remittance Plan was made in 2021, the Payment Services Act was amended in June 2022 and took effect in June 2023. Through this amendment, legislation concerning the issuers of high-value electronically transferable prepaid payment instruments, which pose a higher risk of money laundering, was introduced. Additionally, the Banking Act and the Payment Services Act were amended in June 2022, incorporating a legal system pertaining to issuers and intermediaries, as well as brokerage or agency services associated with so-called stable coins.

4. Payment infrastructure

Access from funds transfer service providers to the Zengin Data Telecommunication System (the “Zengin System”), which had originally permitted access only from banks, was allowed in October 2022. However, as of the end of December 2023, no funds transfer service providers had accessed the Zengin System.

In Japan there is no interface between payment systems in Japan and payment systems in other countries. Japan also does not provide any financial incentives to promote the digitization of payment infrastructures in line with the FSB's work on enhancing cross-border payments.

5. Governance and Risk Management

The operational guideline related to funds transfer service providers outlines compliance risk, risk of consumer protection (including the establishment of information management systems), system risk (including cyber risk and fraud prevention measures), operational risk, business continuity management, etc.

From the viewpoint of AML/CFT, all financial institutions, including non-banks, in Japan are required to take AML/CFT/CPF measures in accordance with relevant acts and guidelines, including the Act on the Prevention of Transfer of Criminal Proceeds and the Guidelines for Anti-Money Laundering and Combating the Financing of Terrorism.

6. Access to financial services

As for access to financial services by foreign residents in Japan, depending on the terms of use and types of services, major funds transfer service providers offer their services to both foreign residents and nationals. Moreover, major funds transfer service providers offer their services online, ensuring sufficient coverage in areas where foreign residents live.

Regarding the requirements to open a transaction account, there are no specific requirements for foreign residents when they attempt to open a funds transfer service account, so the cost and ownership are the same as those for nationals.

However, when foreign residents use this service, they need a valid status of residence from the viewpoint of AML/CFT. While Japan does not conduct specific monitoring or supervision for foreign residents, in case of any issues related to user convenience, Japan encourages remediation within the framework of regular supervision and monitoring.

7. Crisis mitigation and prevention (COVID-19)

The bank and funds transfer service providers continued their business during lockdowns.