



GPI

Global Partnership
for Financial Inclusion

G20 National Remittance Plan

Japan 2021

Biennial Update

Call to Action on Remittances

In the 2014 Call to Action, the Government of Japan stated that it would take measures to further disseminate information regarding the Payment Services Act to encourage the use of new service providers with low commission fees for overseas remittance. Based on this view, the Government of Japan has implemented promoting activities for the Act through information sharing via its websites and other advocacy campaigns during the last several years.

A notable related matter in the last two years is the amendment of the Payment Services Act. As explained below, the purpose of the amendment was to achieve both convenience for consumers and consumer protection.

Current State of the Market for International Remittances

Japan is a sending country as categorized in the Remittance Prices Worldwide by the World Bank. Using the definition of personal remittances in a report by the World Bank/Knomad (“Migration and Development Brief 32”), 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.

2018: 679.32 billion yen

2019: 743.97 billion yen

2020: 879.38 billion yen

The average cost of sending in the first quarter of 2021 was 10.50% according to the latest version of “Remittance Prices Worldwide” published in March 2021. It was a decrease of 1.93 percentage points from the first quarter of 2016 (12.43%).

In Japan, remittance service providers include not only banks but also funds transfer service providers as specified in the Payment Services Act. As of September 2021, the total number of those funds transfer service providers is 80. This is an increase of 13 from 67 as of September 2019.

As a highlight of the regulatory environment updates since the last version of the National Remittance Plan was made in 2019, the Payment Services Act was amended in June 2020 and took effect in May 2021. The amendment lifted the ban on money transfers of more than 1 million yen per transfer by non-bank

businesses by setting a new category of funds transfer service providers with no limit on each money transfer with additional authorization for their business plans from the government as well as a basic registration as a funds transfer service provider required. From the viewpoint of consumer protection, they are not allowed to receive or retain customers' money not intended for immediate transfers. In addition, funds transfer service providers with a 1 million yen cap on each money transfer are required to organize a system to ensure that the purpose of funds accepted from customers is money transfer if the fund exceeds 1 million yen.

As for the accessibility to financial services, foreign nationals who reside in Japan can open a bank account in principle. Major banks covering most areas in Japan, in particular, provide financial services to foreign nationals, and some banks provide follow-up support, such as a multi-language, non-face-to-face procedure to open bank accounts, or websites where customers can find and fill out documents necessary for international remittance before visiting bank branches. In addition, some financial services, including international remittance, are available at ATMs in convenience stores, which in Japan can usually be found even in small towns and villages; this also contributes to accessibility in Japan.

2022-2023 Country Plan for Reducing Remittance Transfer Costs

1. Improve the Enabling Policy and Regulatory Environment for International Remittances

The Government of Japan will promote the participation of more funds transfer service providers into the market under the amended Payment Services Act and continue to make efforts for a healthy regulatory environment.

Concretely speaking, having in mind that non-bank funds transfer service providers dealing with more than 1 million yen is a newly-made category, the Government of Japan will carefully and respectfully deal with consultations by them and swiftly process requests for their registration and the authorization of their business plans if they are submitted. After such registration and authorization, the Government of Japan will monitor the compliance of the ban on receiving or retaining customers' money not intended for immediate transfers, system risk management, and the appropriateness of AML/CFT/CPF measures.

The Government of Japan will also continue to support and promote the operation of non-bank funds transfer service providers dealing with up to 1 million yen.

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.

2. Improve Financial System Infrastructures, Support Innovation and Harness Emerging Technologies

The Government of Japan expects substantial progress in the on-going consideration by a special taskforce established by the Japanese Banks' Payment Clearing Network (the "Zengin-Net") for wider access to the Zengin Data Telecommunication System (the "Zengin System"), which currently permits access only from banks. The move has its basis in the taskforce's report that calls for giving funds transfer service providers access to the Zengin System by the end of fiscal year 2022 (March 2023), with the aim of developing remittances of new generation with less expensive fees through promoted competition. The taskforce consists of interested institutions, including not only private stakeholders but also the Financial Services Agency and the Bank of Japan. Necessary supervision to ensure the stability of the payment infrastructure will be taken in the case of expansion.

The Government of Japan will continue to study and support the use of digital technologies to further enhance the quality and accessibility of related financial services in close coordination with various stakeholders. This includes exchanging opinions, answering to consultations from tech companies, and supporting the introduction of innovative KYC, such as e-KYC.

3. Improve Transparency, Consumer Protection, Digital and Financial Literacy for Remittance Users

Based on the Payment Services Act and an order related to it, funds transfer service providers have the obligation to give relevant information regarding commission fees to customers. The Government of Japan continues to supervise such measures taken by funds transfer service providers for transparency and consumer protection. It is expected that these measures will further promote and consolidate the environment where customers can choose the remittance options that are the most appropriate for themselves from wider options based on correct information.

Along with the increasing number of foreign workers in Japan, leaflets for foreign nationals in 14 languages, including plain Japanese, about how to open a bank account and to send money, and a booklet for organizations accepting such workers will continue to be distributed to local governments, universities, accepting companies, and relevant ministries and agencies. For the general public, the Government of Japan will issue warning notices if serious incidents in remittance services occur.

4. Introduce Measures to Mitigate and Prevent Crises

The Government of Japan issued the basic action policy to combat the COVID-19 in March 2020, and it has been updated accordingly since then. It lists essential services that are requested to be continued to operate even during a state of emergency; from the outset, financial services are included in the list.