March 31, 2025

"Study Group on the Creation of Next-Generation Financial Infrastructure"
hosted by SBI Financial and Economic Research Institute

Publication of the Second Recommendations: "A Blueprint for Next-Generation Financial Infrastructure"

Background and Process Leading to the First Recommendations

The advancement of the digital society—driven by innovations in information technology such as financial Application Programming Interfaces (APIs), blockchain technology, and big data utilization—has transformed both the providers and methods of delivering financial services. Notable examples include the emergence of new settlement and remittance methods, digital financial assets such as cryptoassets, and decentralized financial services under the concept of decentralized finance (DeFi). Data has become a source for revenue generation, and the enhancement of information production functions has emerged as a management challenge for financial institutions.

The current financial infrastructure has not sufficiently adapted to rapid environmental changes, and the limitations of incremental, ad hoc modifications within the existing framework are becoming increasingly apparent. In particular, it comprises regulations, IT systems, accounting standards, governance, risk management, and international coordination, and is premised on the provision of financial services through intermediaries such as banks, securities companies, and insurance companies, as well as the two-tier settlement system operated by the central bank and private banks. New financial services require new financial infrastructure, and it is essential to articulate a vision for its future development.

In response, the SBI Financial and Economic Research Institute established the Study Group on the Creation of Next-Generation Financial Infrastructure, bringing together experts in digital financial assets, to stimulate public discussion by examining the envisioned future of next-generation financial infrastructure and compiling the outcomes into recommendations. The first meeting was held on December 25, 2023. The Financial Services Agency and the Bank of Japan (Institute for Monetary and Economic Studies) are also participating as observers; however, they bear no responsibility for the recommendations produced by the Study Group.

After extensive discussions on the theme of "reconstructing the institutional framework for digital finance," the Study Group compiled and published the "Guidelines for Considering the Creation of Next-Generation Financial Infrastructure" on July 5, 2024. These constitute the first set of recommendations addressed to domestic and international users of financial services, as well as to institutional stakeholders of the financial system, including regulatory authorities.

The Guidelines set the goal of building next-generation financial infrastructure capable of adapting to a critical turning point of the financial system with the aim of establishing a financial system and financial center that will be chosen by users both in Japan and overseas. To this end, the Guidelines outlined 25 items, organized into four categories: (A) Perspectives necessary for creating new financial infrastructure (10 items), (B) Points to keep in mind when considering the creation of new financial infrastructure (3 items), (C) Key points on how to proceed when creating new financial infrastructure (6 items), and (D) Current issues and concerns (6 items). Furthermore, the Guidelines emphasized the effectiveness of organically integrating the various components of financial services—shifting from the traditional economic entity-based approach to a financial function-based approach—within a layered financial infrastructure, and of operating both the new and traditional financial infrastructures in parallel as a means to address the challenges embedded in the conventional system.

Process Leading to the Second Recommendations

Since late July 2024, the Study Group has conducted further deliberations—drawing on domestic and international examples—in order to compile the Second Recommendations on “a blueprint of next-generation financial infrastructure based on the Guidelines."

Although the first recommendations, "Guidelines for Considering the Creation of Next-Generation Financial Infrastructure," presented detailed and broad perspectives across a total of 25 items, the form of next-generation financial infrastructure inevitably differs according to each country’s historical development of its financial system, national characteristics, the times, and other relevant factors, most notably the supervisory approaches by financial authorities. Accordingly, no single, universally applicable vision can be prescribed.

For example, two scenarios can be envisaged: (1) a case where financial intermediaries play a core role in next-generation financial infrastructure, and (2) a case where financial intermediation services are fully automated by utilizing digital technologies such as blockchain technology and DeFi.

For this reason, the Study Group first organized the four key concepts:

1. Shifting to a financial function-based approach and restructuring financial services and their providers;
2. Rebuilding the foundational layers of financial infrastructure;
3. Rebundling and rebuilding of financial services and the foundational layers to span both financial and non-financial sectors in a cross-domain expansion; and
4. Capturing and visualizing user needs through the utilization of data across both financial and non-financial sectors, thereby enhancing value creation through the automation and refinement of fragmented service production processes.

Based on these concepts, the Recommendations then illustrate a future vision of next-generation financial infrastructure with reference to the two cases mentioned above—namely, (1) a case where financial intermediaries play a core role, and (2) a case where settlement and information-sharing systems built using digital technologies substitute for financial intermediation functions. They also discuss the structures and functions required for next-generation financial infrastructure, such as a layered structure and various financial services. The Study Group has compiled the second Recommendations, "A Blueprint of Next-Generation Financial Infrastructure," as attached.

While these Recommendations illustrate two cases of financial infrastructure premised on providing financial services leveraging digital technologies, the Study Group hopes they will serve as a valuable reference for Japan in developing its next-generation financial infrastructure.

For the Future Process

In the next fiscal year (FY2025), the Study Group will identify three specific themes for medium-term study and establish subcommittees to conduct further examinations and sequentially compile additional recommendations.