

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

**Publication of the First Recommendations by Working Group C  
(Future Vision of Financial Industry Structure):  
Proposal for a Framework on Scope-of-Business Regulations in the  
Financial Industry**

**Process Leading to the Two Recommendations by the Study Group on the Creation of Next-Generation Financial Infrastructure**

The advancement of the digital society—driven by innovations in information technology such as AI technology, blockchain technology, decentralized finance (DeFi), and the utilization of big data leveraging these technologies—is manifesting through the emergence of new payment and settlement methods and digital financial products, leading to significant transformations in both the providers and methods of delivering financial services. As data becomes a primary source of profits and the sophistication of information production functions is increasingly required, the current financial system—encompassing broad structures such as regulatory frameworks and IT systems, the two-tier payment system operated by the central bank and commercial banks, and the provision of financial services through traditional intermediaries—is beginning to reveal structural constraints through incremental, reactive adjustments within existing frameworks.

Recognizing that "new financial services necessitate a new financial infrastructure, and it is essential to first define its future vision," the SBI Financial and Economic Research Institute established the "Study Group on the Creation of Next-Generation Financial Infrastructure" in December 2023, composed of distinguished experts. While the Financial Services Agency and the Bank of Japan (Institute for Monetary and Economic Studies) participate as observers in the Study Group, they do not bear responsibility for these recommendations.

The Study Group has held extensive deliberations on constructing a Next-Generation Financial Infrastructure capable of adapting to this turning point in the financial system, resulting in the compilation of two sets of recommendations to date.

The first set of recommendations, "Guidelines for Considering the Creation of Next-Generation Financial Infrastructure," published in July 2024, pointed out that it is effective to transition from an economic entity-based approach to a financial function-based approach, allowing financial services to operate organically upon a layered foundation of financial infrastructure, and to run old and new infrastructures in parallel. Furthermore, it presented comprehensive "Guidelines" consisting of 25 perspectives and key considerations.

The second set of recommendations, "A Blueprint for Next-Generation Financial Infrastructure," published in March 2025, presented the following key concepts: transitioning to a financial function-based approach; unbundling and rebundling financial services to be delivered in combinations aligned with specific business

models; and promoting cross-domain expansion that encompasses non-financial sectors. The future of Next-Generation Financial Infrastructure will not be unique but will vary according to national circumstances. Based on this view, it illustrates two potential future visions: (1) a case where financial intermediaries play a core role, and (2) a case where settlement and information-sharing systems substitute for financial intermediation functions.

### **Establishment of Working Group C and the Process Leading to its First Recommendations**

The Study Group established three working groups to examine specific medium-term issues. Among these, Working Group C focused on the "Future Vision of Financial Industry Structure" as its medium-term theme, initially addressing a "Framework on Scope-of-Business Regulations."

Numerous scope-of-business regulations, such as the prohibition of other businesses, remain in current laws and regulations, impeding the cross-sectoral entry between financial and non-financial fields. These regulations hinder companies from constructing optimal business structures, including cases where general business corporations seek to make a bank their subsidiary.

However, as sophisticated prudential regulations—such as capital adequacy ratios—and safety nets have been established to ensure depositor protection and the stability of the financial system, the role of powerful ex-ante regulations that "prohibit" other businesses is declining. Furthermore, the management of compliance violations, such as conflicts of interest, is gradually shifting toward ex-post monitoring through the enhancement of oversight functions.

Moreover, as digitalization and globalization advance, digital financial products are traded across industry boundaries and borders. In an environment where the integration of commercial activities by the non-financial sector and settlement by the financial sector is intricately intertwined due to technological progress in AI and other fields, maintaining existing strict regulations could manifest the "risk of both authorities and the private sector preventing business from taking on challenges," which inhibits innovation. Under this recognition of the issues, Working Group C has held repeated deliberations since August 2025 toward a fundamental review of scope-of-business regulations based on a modern perspective.

### **Key Points of the First Recommendations by Working Group C**

Building on the previous recommendations, Working Group C points out that the approach relying on ex-ante regulations should be fundamentally reviewed from the perspectives of the "same activity, same risk, same regulation" principle and minimum regulation. Specifically, while strictly managing risks through prudential regulations as a major prerequisite, the Working Group calls for a transition from rigid regulations that uniformly prohibit other businesses to a new regulatory framework that combines the following four measures in a manner consistent with its objectives:

1. Eliminating scope-of-business regulations prohibiting other businesses for subsidiaries of both banks (insurance companies) and bank (insurance) holding companies to enable the expansion of non-financial

businesses. The same regulations applicable to the bank itself will be maintained unchanged.

2. Requiring general business corporations that have banks or insurance companies under their umbrella to fulfill their group management responsibilities and ensure strict compliance, including preventing risk contagion from the parent company and prohibiting conflict-of-interest transactions.
3. Abolishing the "voting rights restriction (5%, 10%, and 15% caps)" on the holding of shares in business corporations and other entities by banking (insurance) groups. This includes transitioning to regulations that encourage investment based on self-responsibility by strictly applying risk weights under capital adequacy ratios for excess investments in a single entity, so-called concentration risk, including those by domestic-standard banks.
4. Establishing internal checks, reporting, and disclosure systems within financial institutions to prevent the abuse of a superior bargaining position, conflict-of-interest transactions, and other related misconduct, while enhancing the ex-post supervisory and monitoring functions of the relevant authorities.

## **Way Forward**

Working Group C will continue its deliberations in fiscal 2026 and beyond regarding the future vision of next-generation financial infrastructure—based on the delivery of financial services through a shift from an entity-based approach to a function-based approach—and the roadmap toward its realization, with plans to determine specific themes to be addressed over the medium term.