Discussion Paper on the Industrial Structure of Cryptocurrency and Blockchain
Discussion Paper

(Issue Summary and Preliminary Consultation Version)

February 25, 2026

TABLE OF CONTENTS

1. Purpose of This Discussion Paper

Digital assets utilizing blockchain technology, such as cryptocurrencies, stablecoins, and security tokens, are gaining prominence. The number of accounts opened at Japanese cryptocurrency exchange operators has exceeded 13 million. There is significant expectation for cryptocurrencies as new investment vehicles and tools supporting Web3, as well as for stablecoins as new payment methods in the digital age. On the other hand, fraudulent transactions and hacking incidents targeting exchange operators continue to occur, and challenges from the perspective of user protection have been pointed out.

Amidst this, the Financial Services Agency established a working group on crypto asset regulations in September 2025. After three months of deliberation, the working group published a comprehensive report. Key recommendations include shifting the regulation of crypto asset exchanges from the Payment Services Act to the Financial Instruments and Exchange Act, strengthening information disclosure to investors, advancing efforts to enhance security, and introducing insider trading regulations.

Moving forward, discussions will focus on how to shape specific laws, regulations, and guidelines based on the report's findings, as well as how to develop the practical operations of cryptocurrency exchange operators and industry associations. In doing so, it is crucial to devise effective and feasible mechanisms. This requires broad-based, constructive dialogue among industry, government, and academia, considering not only legal frameworks but also the appropriate business structures and industrial architecture for crypto asset exchange operators and other entities, as well as how roles and responsibilities should be shared among various stakeholders to foster a healthy market. Furthermore, considering the international nature of the digital asset market, it is necessary to actively share the status of such discussions globally and contribute to the international discourse.

This discussion paper represents the first step in an initiative launched by volunteers engaged in digital asset practice and research, aiming to contribute to such exchanges. It specifically organizes key issues requiring consideration from the perspective of stakeholder business conditions and industry structure.

Below, we first provide an overview of the current status of stakeholders in digital assets. We then analyze the business situations of representative stakeholders using the cases of IEOs, Bitcoin, and stablecoins as examples. Subsequently, it examines what changes would be required for each stakeholder group if the legal and

regulatory frameworks, as proposed for revision in the Working Group Report, were implemented. Building on this analysis and examination, it then explores the ideal industrial structure to support a sound and sustainable digital asset market. This exploration considers perspectives such as the relationship with traditional financial industries, changes brought about by decentralized finance, and connections with non-financial sectors, proposing hypotheses regarding the desired industrial structure.

We welcome diverse perspectives on this discussion paper. We intend to continue open discussions incorporating these views. This process should yield useful reference materials for future regulatory development and practical applications, representing the collaborative outcomes of industry, government, and academia in an open forum.

This preliminary discussion paper outlines key issues to solicit broad stakeholder input ahead of the workshop session at BGIN Block 14 on March 1, 2026. Following this session and subsequent discussions, a formal publication is planned.

2. Stakeholder Identification

2a. Stakeholders and Key Roles/Revenue Sources

i. Exchange Operators (Crypto Asset Exchange Operators)
Role: Buying and selling crypto assets, exchanging crypto assets for other crypto assets (including acting as an intermediary, agent, or proxy), managing crypto assets on behalf of others, managing users' funds
Revenue Sources: Spread between buy and sell prices at exchanges; transaction fees at exchanges

ii. Custodian (Custody Service Provider)
Role: Management of cryptocurrency assets on behalf of others (specialized providers exist overseas)
Revenue Source: Custody (storage) fees

iii. Token Issuer (Crypto Asset Token Issuer)
Role: Type ① - Issuing crypto asset tokens for purposes such as project fundraising
Type 2 - No issuing entity exists (only decentralized issuance accompanying mining, etc.)
Revenue Source: Type ① - Funds raised through token issuance are often treated as deposits (advance payments/liabilities), with revenue (sales) recognized upon subsequent service provision

iv. Market Maker
Role: Acts as a counterparty for hedging transactions in exchange operators' sales business and provides liquidity
Revenue Source: Trading spreads and arbitrage profits from other crypto assets (spot, futures, etc.)

v. Staking Service Provider
Role: Pooling staking assets on behalf of others, managing staking and rewards, and distributing returns
Revenue Sources: Fees related to staking rewards, node operation rewards

vi. Electronic Payment Instrument Issuer
Role: Issuance of electronic payment instruments (commonly known as stablecoins), user management (depending on business model)
Revenue Sources: Investment income from issued deposits (collateral assets)

vii. Electronic Payment Instrument Transaction Operator

Role: Provision of payment services using electronic payment instruments, etc.

Revenue Sources: Settlement fees, fees from external partnerships (e.g., credit cards)

viii. Electronic Payment Means and Cryptocurrency Service Intermediaries

Role: Intermediation for electronic payment means transaction operators and/or crypto asset exchange operators

Revenue Sources: Brokerage fees

ix. Critical System Operator

Role: Providing critical systems for managing cryptocurrencies to exchange operators

Revenue Source: System development and operation outsourcing fees

x. (Overseas) Non-custodial Wallet Providers

Role: Develop software/apps for users to self-manage crypto assets

Revenue Sources: Fees for advanced integrations within the app (DeFi protocols, credit cards, staking services), external licensing of proprietary technology, hardware sales

xi. (Overseas) DeFi Protocol Developers

Role: Development of decentralized exchanges (DEX), decentralized lending protocols, etc.

Revenue Sources: Transaction fees, lending interest income, appreciation of proprietary tokens

3. Analysis of Current Business Structure

3a. Overall Structure

Current regulatory discussions in Japan are progressing based on the classification established by the Financial System Council's "Working Group on Cryptocurrency Systems": Type ①: Fundraising/Business Activity Type and Type ②: Non-Fundraising/Non-Business Activity Type.

Additionally, stablecoins, which have been institutionalized as "electronic payment instruments" under the Payment Services Act, occupy an important position as future payment infrastructure and therefore require separate consideration.

This paper concisely organizes the current industry structure and challenges based on these three categories.

(1) Type ①: Fundraising/Business Activity Type Cryptocurrencies

- Overview: Japan's IEOs ensure institutional trust through a multi-layered governance structure: registered exchange operators as the primary sellers, screening by the self-regulatory body (JVCEA), and ongoing disclosure obligations. This structure is "Regulatory Authority → Registered Operator → Self-Regulation → Issuer/User."
- Ideal Outcomes: Preventing recurrence of the disorder seen during the earlier ICO phase, enabling legitimate token fundraising domestically, and balancing investor protection with innovation.
- Challenges: Black-boxed listing criteria, exchange operator oligopoly, absence of user-centric IEO models, price distortion risks from simultaneous overseas listings, and significant influence of affiliates/influencers in price formation—external factors difficult to control through domestic regulation alone.

(2) Type ②: Non-fundraising, non-business activity crypto assets

- Overview: Cryptocurrencies not falling under Type ①. Bitcoin and Ethereum are prime examples. No issuing entity exists, and market maintenance relies on related parties.
- Ideal: For assets without a responsible entity, exchange operators, self-regulatory organizations, and other stakeholders collaborate to maintain a transparent and sound market.
- Challenges:
    1. Crypto Asset Market Galapagosization: Dominated by exchange-type models (relying on spread revenue), low market

transparency, divergence from global prices, outflow to unregistered overseas exchanges
2. Market immaturity: Underdeveloped derivatives markets, structure centered on retail investors
3. Security risks: Supply chain concentration due to outsourcing, involvement of operators with limited technical understanding, industry-wide lack of expertise

(3) Stablecoins

- Overview: Positioned as an electronic payment method under the Payment Services Act, with anticipated future practical applications including cross-border payments, integration with DeFi, and collaboration with banks and non-banks
- Ideal: Reliable management of underlying assets, enhanced practicality as a settlement infrastructure, ensuring alignment with traditional finance
- Challenges: Inefficiencies in dual custody structures, competition with overseas stablecoins, and ambiguous delineation of responsibilities between issuers and exchanges

3b. Breakdown by Key Stakeholder

(1) Exchange Operators

- Ideal: Primary gatekeeper conducting issuer screening, managing IEO sales, market surveillance and unfair trading countermeasures, AML and custody management, etc.
- Challenges:
  1. (Type ①) Oligopolistic situation dominated by specific crypto asset businesses
  2. (Type ②) Entrenchment of exchange-dependent models hindering fair competition
  3. (Related to above b) Widespread spreads being passed on to consumers, leading to global price divergence
  4. Over-reliance on outsourcing leads to diminished in-house security awareness and expertise in crypto assets

(2) Custodian (Custody Service Provider)

- Ideal: Establishing highly specialized custody functions. Providing a backstop for asset management when non-crypto asset businesses enter the market, such as future ETF launches
- Challenges:

1. A structure where some providers "outsource entirely" custody functions
2. Security vulnerabilities arising from outsourced operations and fragmented value chains

(3) Token Issuers

- Ideal: Strive to maintain a healthy crypto asset market through timely sharing of token state changes and fork information, and transparent collaboration with the community.
- Challenges:
  1. Difficulty in distinguishing between Types ① and ②
  2. Circumvention of domestic regulations through overseas listings

(4) Market Maker

- Ideal: Providing sound liquidity and price formation
- Challenge:
  1. (Type ①) Sale incentives via token lending agreements and so-called pump-and-dump risks
  2. (Type 2) Risk of propagating the impact of massive overseas perpetual markets and high-leverage markets to the domestic market

(5) Self-Regulatory Organizations

- Ideal: Ensuring investor protection and market integrity through rule formulation, review, and monitoring
- Challenges:
  1. Lack of scale and expertise
  2. Process delays
  3. Unclear competitive advantage from an international perspective

4. Changes Required by the Transition to the Financial Instruments and Exchange Act

4a. Newly Added Systems and Operations

According to the report, after the implementation of the Financial Instruments and Exchange Act, issuers of crypto assets, crypto asset exchange operators, and the self-regulatory organization (JVCEA) will be required to establish or enhance at least the following systems and perform the following operations.

(1) Centralized Cryptocurrency Issuers

Currently, crypto asset issuers bear no specific information disclosure obligations under either the Payment Services Act or JVCEA rules. When selling their crypto assets through an exchange operator's platform, they are merely indirectly required to provide certain necessary information because the exchange operator must comply with JVCEA rule-based disclosure obligations.

After the enforcement of the Financial Instruments and Exchange Act, issuers of centralized cryptocurrencies will be obligated to provide legally mandated information about the cryptocurrency and the issuer when selling it to raise funds, along with subsequent ongoing disclosure obligations.

Furthermore, the issuer and its related parties become addressees of insider trading regulations.

(2) Cryptocurrency Exchange Operators

The new systems and business operations that cryptocurrency exchange operators must implement are broadly outlined in the table below.

	New Business	Codification of Self-Regulatory Obligations	Enhancement of Statutory Obligations
Information Disclosure Regulations		・Information provision regarding centralized cryptocurrencies ・Creation and	

		provision of information regarding decentralized crypto assets ・All require provision at the time of sale, commencement of handling, and on a timely and regular basis	
Market Entry Regulations	・Business registration required for borrowing crypto assets		
Business Regulations	・Compliance with major shareholder regulations ・Accumulation of reserve funds ・Restrictions on Use of Corporate Relationship Information ・Introduction of the External Sales Representative System ・Compliance with Short Selling Regulations	・Establishment of operational management systems －Cryptocurrency Review Framework －Trading Review System －System for compliance with the suitability principle - Handling System for Crypto Asset-Related Information ・Prohibition of Loss Compensation ・Capital Adequacy Ratio Compliance	・Minimum Capital Amount ・Strengthening Protection of User Assets and Cybersecurity Measures

Although not explicitly stated in the report, establishing a transaction review system to detect unfair trading, including insider trading, poses the greatest difficulty and potentially highest cost in advancing operational frameworks. This involves determining how to build cooperative structures with the Financial Services Agency (Securities and Exchange Surveillance Commission) and self-regulatory organizations, and what specific system requirements each operator must implement.

(3) Japan Virtual Currency Exchange Association (JVCEA)

The report generally requires the following actions from self-regulatory organizations:

① Strengthening Governance

- Securing Personnel
- Strengthening Financial Foundations
- Establishing Governance (e.g., establishing an independent committee)

② Strengthening the review system for crypto assets

- Enhancing the review function for new cryptocurrencies (considering outsourcing)
- Strengthening the review function for information disclosure content (considering outsourcing)
- Strengthening information management systems and conflict of interest management systems
- Strengthening monitoring and audit systems for exchange operators

③ Initiatives to Improve Security

- Continuous improvement and strengthening of self-regulatory rules related to security
- Strengthening audit systems for exchange operators

④ Initiatives to Enhance User Protection

- Advertising review system to ensure appropriate advertising by exchange operators
- Initiatives to Strengthen Customer Suitability Verification by Exchange Operators

⑤ Addressing unfair trading practices

- Establishing a Trading Review System and Fundamental Enhancement of Market Surveillance
- Strengthening Guidance and Verification Functions Regarding Exchange Operators' Trade Review, etc.
- Strengthening Efficient and Effective Information Sharing Between Exchange Operators and Authorities

Regarding countermeasures against unfair trading in particular, given the unique characteristics of crypto asset trading, it is necessary to clarify the scope of transactions to be monitored and how this monitoring will be conducted, based on what is actually feasible and what is not.

4b. Changes in Revenue

The 2025 Financial System Council Working Group noted that approximately 90% of domestic exchange operators are operating at a loss[1], indicating the fragile revenue base of current crypto asset exchange operators. The primary cause is a structure heavily reliant on sales spreads and transaction fees for the majority of revenue. In bear markets, revenue plummets while fixed compliance costs continue to accrue.The transition to the Financial Instruments and Exchange Act (FIEA) may exert further pressure on this fragile revenue base. The tightening of suitability verification obligations could prompt small-scale traders to exit the market. Considering that over 90% of domestic users trade less than ¥500,000 per transaction [1], the impact would be significant.The introduction of insider trading regulations and disclosure obligations will enhance price transparency, potentially compressing spread revenue over the medium to long term. On the other hand, the transition to the Financial Instruments and Exchange Act could also create the following four new revenue streams:

① Legalization of Investment Advisory and Investment Management Services - Under the current Payment Services Act, activities like cryptocurrency portfolio advisory services have been left in a legal gray area.The transition to the Financial Instruments and Exchange Act makes obtaining investment advisory and investment management licenses a realistic option, enabling the expansion of high-value-added services targeting high-net-worth individuals and institutional investors. However, this requires specialized personnel and sufficient capital, limiting the number of firms that can enter this space and accelerating differentiation between large and small players.

② Enhancing IEO Market Credibility and Establishing Underwriting Revenue Systems - Strengthening disclosure obligations imposes burdens on operators but establishes a foundational level of institutional credibility for the IEO market. Imposing disclosure obligations on issuers institutionally positions the screening and

underwriting functions of exchange operators, establishing underwriting fee revenue as a stable business line.This could enable issuers previously excluded from capital markets—such as those in music, video, gaming, and local communities—to enter. Concentration of issuers toward operators with strong screening capabilities could create a structure achieving both differentiation and stabilization.

③ Market Thickness Expansion via Tax Reform and ETF Liberalization - The shift from comprehensive taxation (maximum rate 55%) to separate taxation (20%) will encourage full-scale participation by institutional investors and high-net-worth individuals who previously held back due to tax concerns.This direction is explicitly stated in the ruling party's tax reform outline and the "New Capitalism Implementation Plan 2025 Revised Edition"[2], increasing the likelihood of its realization. The lifting of the ban on crypto asset ETFs will enable capital inflows through existing channels of securities firms and banks. However, only entities holding securities business registration or capable of collaborating with major financial groups will likely be able to monetize this infrastructure.

④ Integration with RWA Tokenization and New Financing Methods - The tokenization of real-world assets (RWA), such as real estate, business revenues, and intellectual property, is blurring the boundaries between the crypto asset market and traditional capital markets. This represents a new domain where exchanges function as distribution infrastructure positioned between issuers and investors. Details are discussed in Section 5.

All four new revenue streams require the ability to generate income beyond spreads, which not all operators can achieve. The differentiation between a few large players capable of diversifying revenue and many smaller operators remaining spread-dependent and exposed to intensifying competition will become more pronounced as costs rise due to the transition to the Financial Instruments and Exchange Act. This will drive further structural changes in the industry.

4c. Changes in Costs

Cost increases associated with the transition to the Financial Instruments and Exchange Act will occur simultaneously across multiple areas: compliance with insider trading regulations, creation and maintenance of disclosure documents, establishment of suitability management systems, construction of unfair trading monitoring systems, and enhanced security measures.With the full implementation of MiCA within the EU (by the end of 2024), over 40% of EU-based crypto asset businesses anticipate annual compliance costs exceeding 500,000 euros, and approximately 20% of smaller exchanges are expected to be forced out of business or merge [3].Considering this alongside the fact that regulatory compliance costs for

traditional securities firms average around 20% of revenue[4], shifting domestic exchange operators—most of whom currently operate at a loss—to a structure bearing equivalent regulatory costs fundamentally challenges the industry's viability. While large firms can adapt by adding to existing infrastructure, small and medium-sized operators must build systems from scratch.Regulatory costs per unit transaction become disproportionately heavy for smaller players, accelerating the industry's shift towards economies of scale. Small and medium-sized firms face a choice between scaling up (through M&A or business integration) or specializing in specific functions. Those unable to choose either option will face pressure to exit the market.

Strengthening the JVCEA is expected to be central to cost-sharing through shared infrastructure. However, the current JVCEA has only about 32 staff and an annual budget of approximately ¥400 million[5], representing a significant scale disparity compared to the Japan Securities Dealers Association (JSDA) with 373 staff[6].As a centralized model for unfair trading surveillance, consolidating oversight under JVCEA could function as shared infrastructure where monitoring costs are borne by the entire industry. However, the cost of strengthening JVCEA's structure would ultimately be passed on to individual firms through increased membership fees. Whether smaller firms can accept this burden poses a significant challenge.

Another candidate for shared infrastructure involves the industry-wide sharing of costs for managing (custody) crypto assets held by customers. Currently, each exchange individually bears the costs of building cold wallets and hot wallets, managing private keys, and conducting security audits. As demonstrated by the May 2024 DMM Bitcoin incident, smaller firms may struggle to maintain adequate systems.Multiple approaches exist for addressing this. One model involves utilizing a regulated, specialized custodian as an industry-shared "token custodian," analogous to the centralized custody structure provided by Japan Master Trust Bank and Japan Custody Bank in the securities industry.Another is an ISAC-type collaborative framework where companies maintain their own wallet operations while sharing security expertise, vulnerability information, and incident cases across the industry. The "General Incorporated Association JPCrypto-ISAC" (established in January 2025 under the leadership of JVCEA and JCBA, with participation from 16 companies including GMO Coin, SBI VC Trade, and Mercoin) is a practical example of this.

The historical reduction of Japanese securities firms by approximately half following the 1968 transition to a licensing system[7], and the long-term trend in the US where securities broker-dealers decreased by about 30% from 4,757 firms in 2010 to 3,354 in 2024[8], demonstrate the universal path: "Increased regulatory costs → Consolidation/Exit → Concentration among major players."This consolidation and elimination should be viewed not as the "exit of the weak," but as a healthy

process that raises the overall industry standards for oversight, disclosure, and compliance. The question should not be the "number of firms," but whether the remaining firms can effectively fulfill investor protection and market integrity.

4d. Changes in the Ecosystem and Competitive Environment

i. Structure of Competitive and Collaborative Domains

Which of the following operations fall under competitive or cooperative domains?

<Regarding Cryptocurrency Exchange Businesses>

・Being a registered exchange operator compliant with domestic regulations (not an unregistered overseas operator)

・Enhancing the cybersecurity standards of the entire industry to gain the trust of general investors

＜Regarding Industry-Shared Dedicated Custodians＞

・Establish governance structures that meet the scrutiny of institutional investors and independent evaluation service providers

＜Regarding Custody Wallet Providers for Web3 Service Users＞

・Establish cybersecurity measures commensurate with the risk level of a business model specializing in managing cryptocurrencies for others and managing users' funds

ii. Entry of Existing Financial Institutions

＜Type I Financial Instruments Business Operators (Financial Instruments Business Operators)＞

・Determine which business activities to enter

(1) Trading cryptocurrencies for institutional investors or exchanging them for other cryptocurrencies

(2) Hedge transactions related to ETFs

(3) Trading and exchanging crypto assets with other crypto assets for retail investors (including intermediation, brokerage, and agency), managing crypto assets on behalf of others, managing users' funds

・What form of entry?

(1) Change registration of the financial instruments business operator itself

(2) Acquisition of an exchange operator by a financial instruments business operator (including a holding company)

(3) Financial Instruments Business Operator registers as a Crypto Asset Service Intermediary

(4) Financial Instruments Business Operator handles crypto asset ETFs
(5) Financial Instruments Business Operator handles crypto asset ETFs via a beneficiary certificate issuance trust scheme
(6) Financial Instruments Business Operator handles crypto asset investment trusts
(7) Financial institutions handling crypto asset futures ETFs
(8) Financial institutions handling overseas crypto asset ETFs
(9) Financial institutions handling crypto asset futures ETFs through beneficiary certificate issuance trust schemes

<Trust Banks>

・How the underlying assets of crypto asset ETFs are managed
(1) Manage the crypto assets (private keys, etc.) themselves
(2) Outsourcing operations to external providers
　　－Crypto asset exchange operators (including custodians under holding companies)
　　－Industry-shared specialized custodians
　　－Other

iii. Evolving Roles Expected of Cryptocurrency Businesses

＜Cryptocurrency Exchange Operators＞

・Which model to adopt for sharing the industry-wide burden of cryptocurrency custody costs, as discussed in "4c. Cost Changes."

＜Industry-Shared Dedicated Custodian＞

・How to ensure cybersecurity standards (e.g., private key management) verifiable by jurisdictional regulators, clients, and external security experts (e.g., white hat hackers)
(1) Technology (Hardware, Software, Network)
(2) Operational Framework
(3) Audit trails

5. Hypothesis for a Sound and Sustainable Industry Structure

5a. Implications from the Industrial Development Path of Traditional Financial Services

The 1968 transition to a securities licensing system reduced the number of firms from 593 to 277, roughly halving the total[7], demonstrating the chain: "Strengthened Regulation → Building Trust → Market Expansion".Another principle embodied by Japan's securities industry is the separation of "competitive functions" and "cooperative functions." While firms compete for customers and product offerings, clearing and settlement are entrusted to a shared infrastructure: the JSCC (daily clearing volume approx. ¥11 trillion [9]).The current crypto asset industry features a structure where a single company vertically integrates trade execution, custody, settlement, issuer screening, and proprietary trading—a challenge similar to what the securities industry once overcame. What should be the arena for competition and what should be entrusted to shared infrastructure are the common questions posed by the following three hypotheses.

5b. Can Industry Soundness Be Ensured Through Functional Separation and Shared Infrastructure?

In its November 2023 policy recommendations, IOSCO positioned the conflicts of interest arising from vertical integration in crypto asset trading platforms as a "top priority issue" and advised that "where mitigating conflicts of interest is impossible, consideration should be given to legal separation of functions"[10].The collapse of FTX at the end of 2022 left a concrete lesson: the failure to separate customer asset management, operations, and custody enabled massive misappropriation.Areas expected to improve through competition include customer-facing functions (UI/UX/product lineup), expertise in investment advisory and management services, IEO underwriting capabilities, and differentiation in services for institutional investors. Conversely, areas requiring coordinated industry-wide development as shared infrastructure—rather than individual competition—include unfair trading surveillance, standardization of token screening criteria, crypto asset custody management, and future clearing and settlement functions.

Whether Japan's transition to the Financial Instruments and Exchange Act can institutionally promote functional separation will be the first critical juncture for achieving a sound industry structure. As a caveat, functional separation carries the

trade-off of increased fixed costs, and the allocation of this cost burden must also be considered in the institutional design.

5c. Will DeFi and CEX Move Toward Complementarity and Convergence?

The ratio of spot trading volume on DEXs relative to CEXs is projected to exceed 20% by 2025[11], indicating a structural shift underway. While DeFi offers benefits like automated financial transactions via smart contracts and lower participation barriers, it inherently contains structural limitations: the impossibility of legal recourse, difficulties in AML/KYC compliance, and self-referential risks associated with crypto asset collateral.The EU's MiCA exempts "fully decentralized services," yet its definition remains ambiguous both in the EU and Japan[12]. The direction to pursue is not for DeFi to fully replace CEX, but rather the construction of a regulated "CeDeFi (centralized-DeFi hybrid)" model. Existing exchanges will likely assume a new role as DeFi front-end gatekeepers.

5d. Can the decentralized finance framework create new investor-investment relationships as a "means of democratic capital raising"?

In current capital markets, multiple layers of intermediaries exist between capital seekers—such as companies, creators, and local businesses—and investors.For example, IPO preparation costs are estimated at a minimum of ¥200 million [13], while shareholder registry costs for companies with around 1,000 shareholders reach ¥3-4 million annually (approximately ¥3,000-4,000 per shareholder) [14], making it unprofitable to have a large number of small investors.As an alternative, platform fees for IEOs and equity crowdfunding typically range from 10% to 20% of the offering price[15]. This high cost barrier for fundraising below a certain scale effectively excludes SMEs, startups, and creators from the capital markets.

Meanwhile, wallets on the blockchain possess fundamentally different characteristics from existing securities firm accounts. Under the current system, securities firms have maintained an oligopolistic intermediary structure by bundling functions such as customer asset custody, order execution, and settlement. The philosophy of decentralized finance and its wallets have the potential to dismantle this structure.Issuers can directly manage shareholder registers on-chain, while investors can use a single KYC-compliant wallet to directly invest in multiple issuers, receive dividends, exercise voting rights, and provide DeFi liquidity. The vision of wallets serving as cross-service omnibus accounts—unifying access to traditional securities, tokenized securities, non-securities crypto assets, staking, etc., without requiring securities firms as mandatory intermediaries—is becoming a reality.

The SEC's "Project Crypto" was the first to provide official institutional backing for this direction.Announced by Chairman Atkins in July 2025, this initiative set as a policy goal the realization of a "super app" enabling securities intermediaries to offer traditional securities, tokenized securities, non-securities crypto assets, staking, lending, etc., under a single federal regulatory framework. It stated, "Federal securities law has assumed the involvement of intermediaries, but there is no reason to mandate intermediation when markets can function without them" [16].Superstate (U.S.) is leading the implementation of this vision. The company launched its SEC-registered digital transfer agent (Superstate Services LLC) in March 2025[17], using a blockchain-integrated shareholder record management system to update shareholder registers on-chain in real time.Its smart contract-based Allowlist permits transfers only to KYC-compliant investors, enabling the issuance and circulation of tokenized securities while maintaining alignment with existing regulatory frameworks.

Furthermore, such fundraising methods are expected to reduce the distance between funding entities and capital providers by allowing investors to hold tokens like shares directly in their wallets. This could potentially transform investors from mere capital providers into business partners and community members. Decentralized finance holds significant potential to build entirely new financial systems.

5e. Toward Realizing the Hypothesis

The condition for the sustainable development of the crypto asset industry, and by extension decentralized finance, lies solely in its ability to provide added value that traditional finance cannot deliver. Establishing democratic capital-raising methods utilizing tokens, as described above, represents one legitimate evolutionary path. However, multiple conditions must be simultaneously met: ensuring the reliability of issuer screening, guaranteeing investor protection, establishing transparency and liquidity in secondary markets, and clarifying regulatory frameworks across nations.

The industry's immediate priority is implementing the transition to the Financial Instruments and Exchange Act (FIEA) and establishing the foundation for a self-regulatory framework. This requires institutional design aligned with functional separation principles. The fundamental mid-to-long-term challenge lies in defining the division of roles with traditional financial institutions ( ), necessitating the emergence of concrete models integrating with DeFi. Furthermore, the long-term question is whether tokens can transcend being mere trading instruments for financial products to function as a foundational means for fundraising and value transfer across broader economic activities.Achieving these goals requires promoting functional separation without stifling innovation, designing regulations that keep pace with

DeFi's technological innovation speed, and establishing a framework for sound, cross-industry investor protection. How the crypto asset industry takes root in society as an industry after navigating the historic transition point of the Financial Instruments and Exchange Act will be determined by the cumulative choices made by operators, self-regulatory bodies, investors, issuers, and users.We hope the hypotheses and questions presented in this section serve as a starting point for that discussion.

6. Future Actions

This discussion paper attempted to analyze the current industrial and business structures related to crypto assets and blockchain, as well as the potential impacts of the regulatory framework changes anticipated in Japan by 2026.

In Japan, if legislative amendments for the new regulatory framework are enacted, detailed regulatory approaches will subsequently be specified in various rules and guidelines. At the same time, these rules must foster the healthy development of the crypto asset ecosystem while enabling sustainable implementation by all stakeholders involved.

Given the rapid pace of innovation in the crypto asset sector, it is expected that the overall market outlook will take time to stabilize, and it is necessary to anticipate that the industrial and business structures will continue to evolve dynamically.

Therefore, analysis of the industry structure and discussions on the corresponding regulatory and supervisory approaches must be conducted continuously, involving diverse new stakeholders as they emerge. Simultaneously, from the perspective of international regulatory coordination, ongoing discussions and updates must be pursued in open international forums.

This discussion paper is intended as foundational input for regulatory framework consideration, following international public debate.Following the global discussions in BGIN Block14, it will undergo continuous refinement. In Japan, it is expected to be published in time for legislative amendments toward a new regulatory framework, serving as foundational input for subsequent rule and guideline deliberations. Furthermore, it will be continuously referenced and updated as a document utilized not only in Japan but internationally as foundational material for reviewing regulatory and supervisory approaches.

References

[1] Financial Services Agency, "Report of the Working Group on Cryptocurrency Trading Businesses" (2025) and Minutes of the same WG (November 2025)
[2] Cabinet Office, "New Capitalism Implementation Plan 2025 Revised Edition" (Cabinet Decision, June 13, 2025); Ruling Party, "Outline of Tax Reform for Fiscal Year 2025" (December 2024)
[3] European Securities and Markets Authority (ESMA), MiCA implementation monitoring reports (2024–2025); Various industry surveys (Chainalysis, PwC, etc.).
[4] Oliver Wyman / SIFMA, "The Cost of Compliance" (annual editions); Japan Securities Dealers Association "Structure of the Securities Industry" related surveys.
[5] Japan Virtual Currency Exchange Association (JVCEA) "Business Report" (FY2024) and information published on its official website
[6] Japan Securities Dealers Association "Securities Industry Report" (FY2024)
[7] Ministry of Finance Securities Bureau "Review of Securities Administration" (1975); Financial Services Agency "Trends in the Number of Securities Firms".
[8] FINRA, "Industry Snapshot" (annual editions).
[9] Japan Securities Clearing Corporation (JSCC), "Statistical Information" (FY2024).
[10] IOSCO, "Policy Recommendations for Crypto and Digital Asset Markets" (IOSCOPD747, November 2023). See especially Recommendation 1 (Conflict of Interest Management) and related guidance.
[11] The Block Research, "Digital Asset Outlook" (2025).
[12] MiCA Regulation (EU) 2023/1114, Recital 22; ESMA, "Guidelines on the MiCA" (2024).
[13] O f All Inc., "Explanation of IPO Preparation (Listing Preparation) Costs by Breakdown and Period" (2024)
[14] Agate Innovation "Major Costs When Going Public" (Mizuho Securities "Practical Guide to New Listings")
[15] NewSphere "Fees for Investment-Based Crowdfunding" (2025)
[16] SEC Chair Paul Atkins, "American Leadership in the Digital Finance Revolution" speech at America First Policy Institute (July 31, 2025). Project Crypto announcement speech.
[17] Superstate, "Superstate Launches Registered Transfer Agent" (March 6, 2025), superstate.com. And Superstate Services LLC's comment letter to the SEC Crypto Task Force (June 17, 2025).