

Comprehensive Guide to Japan's New Regulation of Cross-Border Collection Agency Services

Amended Payment Services Act and Practical Compliance Manual for Platforms, PSPs and Foreign Businesses

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This newsletter is based on information available as of May 2026. It is intended for general informational purposes only and does not constitute legal advice. Specific legal advice should be obtained for individual matters.

Introduction — Relevant Laws, Regulations and Regulatory Materials

The **Act Partially Amending the Payment Services Act** (Act No. 66 of 2025) was enacted in 2025. The amended **Payment Services Act** will come into force on **June 1, 2026**, pursuant to the **Cabinet Order Specifying the Effective Date of the Act Partially Amending the Payment Services Act** (Cabinet Order No. 172 of May 22, 2026).¹

Under the amended Payment Services Act, certain **cross-border collection agency services** are expressly characterized as **funds transfer transactions** under **Article 2-2, Item 2** of the Payment Services Act. In connection with this amendment, the **Cabinet Office Ordinance Partially Amending the Cabinet Office Ordinance on Funds Transfer Service Providers, etc.** (Cabinet Office Ordinance No. 51 of May 22, 2026) was promulgated on May 22, 2026. The amended **Cabinet Office Ordinance on Funds Transfer Service Providers** introduces new provisions concerning **exemption categories** under **Article 1-3, Paragraph 1** and **exceptions to those exemptions** under **Article 1-3, Paragraph 2**.²

On the same date, the Financial Services Agency of Japan published the **Cabinet Orders and Results of Public Comments Relating to the 2025 Amendments**

¹ **The Act Partially Amending the Payment Services Act**, Act No. 66 of 2025. See the bill information and enacted law materials available on the website of the House of Councillors:

<https://www.sangiin.go.jp/japanese/joho1/kousei/gian/217/meisai/m217080217039.htm>.

The enacted law PDF is available at:

<https://www.sangiin.go.jp/japanese/joho1/kousei/gian/217/pdf/s0802170392170.pdf>

² Financial Services Agency of Japan, **Cabinet Orders and Results of Public Comments Relating to the 2025 Amendments to the Payment Services Act**, May 22, 2026: <https://www.fsa.go.jp/news/r7/sonota/20260522/20260522.html>. See also Appendix 9, **Cabinet Office Ordinance Partially Amending the Cabinet Office Ordinance on Funds Transfer Service Providers, etc.**:

<https://www.fsa.go.jp/news/r7/sonota/20260522/09.pdf>

to the **Payment Services Act**.³ This newsletter focuses in particular on the FSA's interpretations and regulatory views set out in **Appendix 4, "Cross-Border Collection Agency Services"**, in the document titled **Summary of Comments and the FSA's Responses**. In this newsletter, this document is referred to as the **Public Comment Response**.⁴

The FSA also amended the relevant **Supervisory Guidelines**, namely the **Supervisory Guidelines, Volume III: Financial Companies, Section 14: Funds Transfer Service Providers**. The specific amendments are reflected in the comparative table of amendments to those Supervisory Guidelines.⁵

The background and legislative purpose of this reform are also discussed in detail in the report of the **Working Group on Payment Services and Related Systems** under the Financial System Council.

Based on these legal and regulatory materials, this newsletter provides a practical and comprehensive explanation of the new regulation of cross-border collection agency services. It is intended for **platform operators, PSPs, collection agency service providers, funds transfer service providers, financial institutions and other businesses** involved in Japan-related cross-border payment structures.

This newsletter covers:

- the overall decision-making framework;
- the statutory exemption categories;
- the exceptions to those exemptions;
- practical case studies for typical payment structures;

³ Financial Services Agency of Japan, **Cabinet Orders and Results of Public Comments Relating to the 2025 Amendments to the Payment Services Act**, May 22, 2026: <https://www.fsa.go.jp/news/r7/sonota/20260522/20260522.html>

⁴ Financial Services Agency of Japan, Appendix 4, **Summary of Comments and the FSA's Responses — Cross-Border Collection Agency Services**: <https://www.fsa.go.jp/news/r7/sonota/20260522/04.pdf>

⁵ Financial Services Agency of Japan, Appendix 24, **Amendments to the Supervisory Guidelines, Volume III: Financial Companies, Section 14: Funds Transfer Service Providers — Comparative Table**: <https://www.fsa.go.jp/news/r7/sonota/20260522/24.pdf>

- transitional measures;
- practical compliance checklists; and
- sample contractual clauses.

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1. Executive Summary

Japan has introduced a new regulatory framework for certain **cross-border collection agency services** under the amended **Payment Services Act** and related Cabinet Office Ordinance.

The reform clarifies that certain services which collect funds from a payer on behalf of a recipient and move those funds across borders may constitute regulated **funds transfer transactions** under Japanese law.

This reform is particularly important for:

- payment service providers;
- cross-border collection agents;
- e-commerce platforms;
- marketplace operators;
- PSPs supporting platforms;
- credit card acquirers and prepaid payment operators;
- foreign merchants receiving payments from Japanese users;
- multinational groups using centralized settlement structures; and
- foreign financial, gaming, crypto-asset or investment-related businesses.

The key point is that Japan is not merely regulating traditional remittance services. Certain **payment collection and settlement structures** may also become regulated if, in substance, they move funds from Japan to overseas, or from overseas to Japan, on behalf of a recipient.

The analysis should be conducted in the following order.

Step	Question	Practical result
Step 1	Does the service constitute cross-border collection agency?	If no, the new rule does not apply.
Step 2	Does one of the statutory exemptions apply?	If yes, the service may be outside funds transfer regulation.
Step 3	Does an exception to the exemption apply?	If yes, the exemption is lost and regulation may apply.
Step 4	If regulated, what compliance is required?	Registration, AML/CFT, safeguarding, disclosures and related obligations may be required.

The statutory exemptions are important, but they should not be misunderstood as blanket safe harbors.

They cover ordinary commercial structures such as:

- bank or registered funds transfer provider structures;
- escrow services;
- platform payment structures;
- intra-group settlements;
- card and prepaid payment structures;
- PSPs delegated by platforms or escrow providers; and
- service providers delegated by banks or registered funds transfer providers.

However, even if a transaction falls within one of these exemptions, the exemption is unavailable where the transaction involves high-risk elements such as:

- payer debt not being discharged upon payment;
- platform or PSP failure risk being shifted to the recipient;
- gambling or online casino payments;
- securities, FX, CFD, binary options or derivatives-related payments; or

- other unlawful or public-policy-violating transactions.

The practical message is:

Ordinary commercial payment flows may remain exempt, but high-risk Japan-related cross-border payment flows will be subject to much closer scrutiny.

2. Background and Policy Context

2.1 Why Japan introduced the new rules

Japan introduced the new rules because certain cross-border payment collection structures had begun to function, in substance, as unregulated remittance routes.

Historically, many collection agency services in Japan were treated differently from ordinary remittance services. For example, a business might collect money from customers on behalf of a merchant and later settle those funds to the merchant. In many domestic commercial contexts, such as utility bill collection, e-commerce payments and ordinary platform settlements, this treatment was commercially practical.

However, when the same structure is used for cross-border payments, the risk profile changes significantly.

In cross-border cases:

- funds may leave Japan quickly;
- the recipient may be located in a foreign jurisdiction;
- the underlying transaction may be difficult for Japanese authorities to monitor;
- Japanese users may have limited ability to recover funds;
- the payment route may be used to support illegal or abusive offshore businesses; and
- the service may function economically like a remittance service even if it is described as “collection agency,” “settlement support” or “payment processing.”

The reform therefore seeks to close a regulatory gap while preserving ordinary legitimate commerce.

2.2 Online casinos and gambling-related payments

A major policy driver is the use of cross-border collection agency services for payments to overseas online casinos.

Japanese residents have been able to access online casino services operated from overseas and send funds through domestic or cross-border payment intermediaries.

For foreign readers, one important point should be emphasized:

The fact that an online casino is licensed overseas does not necessarily mean that gambling by Japanese residents is lawful under Japanese law.

From the Japanese regulatory perspective, payment intermediaries used for online casino transactions raise multiple concerns:

- they may enable Japanese residents to participate in illegal gambling;
- they may allow overseas gambling operators to receive funds from Japan without direct banking relationships;
- they may make fund flows difficult to trace;
- they may create AML/CFT risks; and
- enforcement against the overseas operator may be difficult.

For this reason, gambling-related payments are expressly treated as an **exception to the exemptions**.

In practical terms, even if a payment route is structured through a platform, PSP, card or prepaid payment arrangement, the exemption may be unavailable if the underlying payment relates to gambling or online casino activity.

2.3 Fraud and overseas transfer of victim funds

Another important background factor is the increase in fraud cases where funds collected from victims in Japan are transferred overseas through payment intermediaries.

A typical example is social-media-based investment fraud. A victim in Japan is induced to send money for a fake investment opportunity. The funds are collected through a payment intermediary and then transferred overseas to a fraud operator or related account.

These cases are difficult because:

- the victim may believe the payment route is legitimate;
- the payment intermediary may not fully understand the underlying fraud;
- funds may move quickly through multiple accounts and jurisdictions;
- recovery becomes extremely difficult once the funds leave Japan; and
- traditional bank-based monitoring may not capture the full payment structure.

The new rules therefore require PSPs, platforms and collection agents to look beyond the formal label of the transaction and examine the actual recipient, business model, payment purpose and risk of abuse.

2.4 Unregistered overseas investment, FX and financial businesses

The reform is also closely related to concerns about Japanese users sending funds to overseas financial businesses that are not properly registered in Japan.

Examples include:

- overseas FX brokers;
- CFD providers;
- binary option operators;
- securities offering platforms;
- fund investment platforms;

- security token offering platforms; and
- other investment-related businesses targeting Japanese residents.

Under Japanese financial regulation, a foreign business may need registration in Japan if it solicits or provides certain financial services to Japanese residents.

If a Japanese PSP or collection agent supports payments to such an unregistered overseas business, the payment route itself may become part of the regulatory issue.

Accordingly, payments related to securities transactions and derivatives transactions are treated as high-risk. Even if the payment method is structured through a platform or PSP, the exemption may be unavailable.

The practical message is clear:

A PSP should not support Japan-related payments to an overseas financial business without checking whether that business is properly registered or otherwise legally permitted to serve Japanese users.

2.5 AML/CFT and international regulatory alignment

The reform also reflects broader AML/CFT and international regulatory concerns.

Cross-border payment services may be misused for:

- money laundering;
- terrorist financing;
- sanctions evasion;
- fraud proceeds transfers;
- illegal gambling;
- unregistered financial services; and
- other unlawful transactions.

International bodies have emphasized the importance of effective regulation and supervision of cross-border payment services, including services provided by non-bank payment service providers.

The policy objective is therefore not simply to impose additional regulation. Rather, it is to ensure that businesses moving funds across borders have appropriate controls for:

- customer and merchant due diligence;
- sanctions screening;
- transaction monitoring;
- suspicious transaction reporting;
- recordkeeping;
- user protection; and
- regulatory accountability.

3. Core Legal Concept: What Is a Cross-Border Collection Agency Service?

3.1 Basic definition

Under **Article 2-2, Item 2 of the Payment Services Act**, certain collection agency services may be treated as funds transfer transactions where the service provider:

1. acts based on a mandate from the recipient;
2. receives funds from the payer as payment of an obligation owed to the recipient;
3. delivers or settles those funds to the recipient; and
4. moves the funds from Japan to overseas, or from overseas to Japan.

For foreign readers, the key point is this:

Japan is not only regulating direct remittance. It is also regulating certain cross-border payment collection structures where the service provider receives money on behalf of the person entitled to payment.

3.2 Three elements of the analysis

Element	Practical meaning
Recipient-side mandate	The service provider acts for the person entitled to receive payment. Multi-layer delegation may also be included.
Receipt as payment	The payer pays the service provider as payment of a debt owed to the recipient.

Cross-border movement	Funds move from Japan to overseas, or from overseas to Japan.
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If these elements are absent, the new rule may not apply.

If they are present, the next question is whether an exemption applies.

3.3 Domestic or overseas determination

The domestic / overseas analysis depends on the payment method.

Payment method	Main criterion
Bank transfer	Location where the relevant bank account is opened
Electronic payment instrument / stablecoin	Location or residence of the relevant managing entity or holder
Other methods	Substance-based case-by-case analysis

A non-resident's bank account opened in Japan is not automatically treated as an overseas bank account. This point may be important for inbound payment services, such as payment services for foreign tourists in Japan.

3.4 Application to foreign businesses

A foreign company should not assume that it is outside Japanese regulation merely because it is incorporated overseas.

Japanese regulation may become relevant if:

- Japanese users are paying through the service;
- a Japanese PSP or collection agent is involved;
- funds are collected in Japan;
- funds are delivered to or from Japan;
- the service receives funds on behalf of overseas merchants; or

- the service supports Japan-related gambling, investment, crypto-asset or other high-risk businesses.

4. Layered Structure of the Regulation

The regulation should be understood as a layered structure.

4.1 Layer 1: Scope

First, determine whether the arrangement is a cross-border collection agency service.

If not, the new rule does not apply.

If yes, proceed to Layer 2.

4.2 Layer 2: Exemptions

Second, determine whether one of the statutory exemptions applies.

The exemptions are designed to protect ordinary commercial payment structures from excessive regulation.

The seven exemptions can be grouped into four practical categories:

1. bank and registered funds transfer provider structures;
2. escrow, platform and delegated PSP structures;
3. intra-group settlement structures; and
4. card and prepaid payment structures.

4.3 Layer 3: Exceptions to the exemptions

Third, even if an exemption applies, determine whether the transaction falls into one of the high-risk exceptions.

If an exception applies, the exemption is unavailable.

This is the most important practical point.

5. Exemptions: Four Practical Categories

The Cabinet Office Ordinance provides seven exemptions. For practical purposes, they can be grouped into the following four categories.

5.1 Category A: Bank and registered funds transfer provider structures

This category includes:

Statutory exemption	Practical description
Bank / registered provider model	Funds are received through a bank or registered funds transfer provider as part of its own funds transfer transaction.
Delegated bank / registered provider model	A service provider acts under delegation from a bank or registered funds transfer provider.

The important point is that simply using a bank account is not sufficient.

The bank or registered funds transfer provider must be involved as the provider of the relevant funds transfer transaction.

For example, if a collection agent merely asks payers to transfer funds into its own bank account, this does not automatically qualify for the exemption.

5.2 Category B: Escrow, platform and delegated PSP structures

This category includes:

Statutory exemption	Practical description
Escrow model	Funds are delivered to the recipient only after the recipient provides the goods or services.
Platform model	The platform is essentially involved in the formation of the underlying transaction contract.
Delegated platform / PSP model	A PSP acts under delegation from an escrow provider or platform operator.

This category is especially important for:

- e-commerce platforms;
- online marketplaces;
- C2C platforms;
- app stores;
- digital content platforms;
- freelance marketplaces;
- sharing economy platforms; and
- PSPs supporting such platforms.

For the platform exemption, the platform must do more than advertise goods, introduce customers or provide a payment method.

Relevant factors include whether the platform controls or provides:

- transaction terms;
- order confirmation flow;
- contract formation rules;
- cancellation rules;
- refund rules;
- seller or merchant management;
- dispute handling; and
- transaction data management.

For the escrow exemption, the name “escrow” is not decisive. The actual structure must ensure that funds are delivered to the recipient only after the relevant goods or services have been provided or completed.

For the delegated PSP exemption, PSPs should not rely only on the platform’s representation. They should review objective materials such as platform terms, transaction flows, refund rules, merchant management rules and transaction data.

5.3 Category C: Intra-group settlement structures

This category includes:

Statutory exemption	Practical description
Intra-group model	The recipient belongs to the same corporate group as the service provider.

This exemption is useful for multinational groups that centralize collection or settlement functions.

However, it cannot be used as an anti-regulatory device. If a group company acquires third-party receivables for the purpose of avoiding funds transfer regulation, the exemption may be unavailable.

Even where the exemption applies, basic compliance checks remain important, including:

- group structure confirmation;
- transaction purpose confirmation;
- sanctions screening;
- AML/CFT risk assessment; and
- recordkeeping.

5.4 Category D: Card and prepaid payment structures

This category includes:

Statutory exemption	Practical description
Card / prepaid payment instrument model	Certain credit card, international card brand and prepaid payment structures are exempt.

This category is highly relevant to:

- credit card acquiring;
- international card brand settlement;
- prepaid card settlement;
- payments to overseas merchants;
- inbound card payments; and
- certain payments made through merchants that accept card payments.

A particularly important practical point is that the exemption may apply not only where the specific transaction was paid by credit card, but also in some cases where the transaction was capable of being paid by credit card under the relevant merchant structure.

However, this exemption does not protect high-risk transactions such as gambling or unlawful investment schemes.

6. Exceptions to the Exemptions: Three Practical Risk Categories

Even if a statutory exemption applies, the exemption is unavailable if the transaction falls into a high-risk exception.

The five statutory exceptions can be grouped into three practical risk categories.

6.1 Risk Category A: User protection risk

This category includes:

Statutory exception	Practical concern
Payer's debt is not discharged	The payer may have paid the collection agent but may still legally owe money to the recipient.
Platform / PSP delivery risk	A delegated PSP structure may create a risk that the recipient will not receive the funds.

The concern is that users may suffer loss if the collection agent or PSP fails.

For example, if the payer's debt is not discharged when the payer pays the collection agent, the payer may face a double-payment risk if the collection agent becomes insolvent.

Similarly, where a platform delegates payment delivery to a PSP but limits its own responsibility to merely selecting and supervising the PSP, the recipient may bear the PSP failure risk. Such a structure may lose the exemption.

Practical measures include:

- clearly stating when the payer's debt is discharged;
- clarifying who bears PSP failure risk;
- avoiding excessive limitation of the platform's responsibility;
- setting refund and cancellation rules;

- preparing alternative payment routes; and
- implementing fund safeguarding or segregation measures.

6.2 Risk Category B: Gambling and investment risk

This category includes:

Statutory exception	Practical concern
Gambling-related payments	Payments to online casinos, sports betting operators or similar services.
Securities / derivatives-related payments	Payments for securities, investment interests, FX, CFD, binary options, futures, options or other derivatives.

These are among the core targets of the reform.

For gambling, the rule covers not only “stake money” but also winnings, fees, points, chips, admission fees and other payments related to gambling, regardless of the name used.

For investment-related transactions, the rule covers payments relating to:

- newly issued securities;
- sale and purchase of securities;
- fund interests;
- collective investment scheme interests;
- security tokens;
- FX;
- CFD;
- binary options;
- futures;
- options; and

- other derivatives.

A particularly important issue is payments to overseas unregistered financial businesses.

If an overseas FX broker, CFD provider or securities-related platform is required to be registered in Japan but is not registered, a PSP supporting payments to that business faces serious regulatory risk.

6.3 Risk Category C: Illegal or public-policy-violating transactions

This category includes transactions similar to gambling or unlawful investment schemes that violate laws, public order or good morals.

Examples may include:

- fraudulent investment schemes;
- unregistered crypto-asset services;
- unregistered electronic payment instrument services;
- illegal fundraising;
- malicious consumer schemes;
- counterfeit goods;
- illegal goods or services;
- sanctions-related transactions;
- anti-social force-related transactions; and
- other highly abusive transactions.

The practical point is that payment providers should not rely only on merchant representations. They should review the actual business model, licensing status, website, user interface, complaint history, chargeback history and transaction patterns.

7. Practical Decision Tree

The following decision tree summarizes the analysis.

Step 1: Is there cross-border collection?

Ask:

- Is there a payer and a recipient?
- Does the service provider receive funds from the payer?
- Is the payment made as settlement of the payer's obligation to the recipient?
- Is the service provider acting on behalf of the recipient?
- Do the funds move from Japan to overseas, or from overseas to Japan?

If **no**, the new rule may not apply.

If **yes**, proceed to Step 2.

Step 2: Does a statutory exemption apply?

Ask whether the structure falls into one of the following categories:

1. bank or registered funds transfer provider structure;
2. escrow, platform or delegated PSP structure;
3. intra-group settlement structure; or
4. card or prepaid payment structure.

If **no exemption applies**, registration as a funds transfer service provider may be required.

If **an exemption applies**, proceed to Step 3.

Step 3: Does an exception to the exemption apply?

Ask whether the transaction involves:

- payer debt not being discharged;
- PSP failure risk being shifted to users;
- online casinos;
- gambling;
- sports betting;
- securities;
- FX;
- CFD;
- binary options;
- derivatives;
- unregistered financial services;
- unregistered crypto-asset services;
- fraud;
- sanctions;
- anti-social forces; or
- other unlawful or public-policy-violating conduct.

If **yes**, the exemption may be unavailable.

If **no**, the transaction may be exempt, subject to proper documentation and monitoring.

8. Consequences If the Service Is Regulated

If the service is treated as a regulated funds transfer transaction and no exemption is available, the service provider may need to comply with significant regulatory obligations.

8.1 Registration as a Funds Transfer Service Provider

Under **Article 37 of the Payment Services Act**, a person engaging in funds transfer services must generally be registered as a **Funds Transfer Service Provider**.

Japan has three categories of Funds Transfer Service Providers. The applicable category depends mainly on the transfer amount and the risk profile of the service.

Category	Transfer amount	Practical description
Type I Funds Transfer Service Provider	More than JPY 1 million per transfer	This category is for high-value funds transfer services. It is subject to the most stringent regulatory requirements and requires approval of a business implementation plan.
Type II Funds Transfer Service Provider	JPY 1 million or less per transfer	This is the standard category for ordinary funds transfer services. Many payment and remittance businesses fall into this category.
Type III Funds Transfer Service Provider	JPY 50,000 or less per transfer	This category is for small-value funds transfer services. It is subject to a lighter regulatory framework, but the transfer amount is strictly limited.

In practical terms:

- **Type I** is relevant where the service may handle high-value transfers exceeding **JPY 1 million**.
- **Type II** is the usual category for ordinary remittance or payment transfer services up to **JPY 1 million**.
- **Type III** is intended for low-value services up to **JPY 50,000**.

Operating a regulated funds transfer service without registration may result in **criminal penalties**.

For existing registered Funds Transfer Service Providers, the new rules may also require a review of whether their existing registration category and business scope are sufficient. For example, a Type II provider that begins to handle cross-border collection agency transactions involving transfers exceeding **JPY 1 million** may need to consider whether **Type I registration** or a change to its registered business scope is required.

8.2 AML/CFT obligations

If the service provider becomes subject to funds transfer regulation, it may also become subject to AML/CFT obligations under Japan's anti-money laundering framework.

These obligations may include:

- customer due diligence;
- verification of beneficial owners;
- confirmation of transaction purpose;
- sanctions screening;
- ongoing monitoring;
- suspicious transaction reporting;
- preparation and retention of confirmation records; and
- preparation and retention of transaction records.

For foreign businesses, this means that the provider may need to establish a Japan-compliant AML/CFT framework, even if it already has AML controls under the laws of another jurisdiction.

8.3 Safeguarding and user protection

A regulated Funds Transfer Service Provider may also need to implement safeguarding and user protection measures.

These may include:

- security deposits or other safeguarding arrangements;
- segregation or protection of user funds;
- user disclosures;
- receipts or transaction confirmations;
- complaint handling systems;
- dispute resolution systems;
- internal control systems; and
- outsourcing management.

The purpose is to protect users if the provider becomes insolvent, fails to complete a transaction, or otherwise creates loss or uncertainty for payers or recipients.

8.4 Related legal obligations

Depending on the transaction structure, a regulated provider may also need to consider other Japanese legal requirements, including:

- the **Foreign Exchange and Foreign Trade Act**;
- confirmation and reporting obligations for certain cross-border payments;
- overseas remittance reporting rules;
- tax-related reporting obligations; and

- sector-specific regulations, such as financial instruments, crypto-assets, electronic payment instruments, gambling, consumer protection or sanctions rules.

For this reason, registration analysis should not be conducted in isolation. The provider should also review the underlying business, merchant type, destination of funds and regulatory status of the recipient.

9. Practical Case Studies

9.1 Ordinary e-commerce platform

Structure:

Japanese buyer → platform / PSP → overseas seller

If the platform is genuinely involved in contract formation and the transaction is ordinary lawful commerce, the platform exemption or delegated PSP exemption may apply.

Likely conclusion: Exempt, assuming no high-risk goods or services are involved.

9.2 Online casino payment

Structure:

Japanese user → PSP / collection agent → overseas online casino

Even if the route is structured through a platform, card or PSP arrangement, the gambling exception may apply.

Likely conclusion: Exemption unavailable; high regulatory risk.

9.3 Overseas FX broker

Structure:

Japanese user → PSP → overseas FX broker

FX and derivatives-related payments are specifically high-risk. If the overseas broker is not properly registered in Japan, the PSP faces serious regulatory risk.

Likely conclusion: Exemption unavailable; registration may not be granted for this business line.

9.4 Credit card payment to overseas merchant

Structure:

Japanese cardholder → Japanese acquirer / PSP → overseas merchant

If the transaction is an ordinary lawful merchant transaction, the card-related exemption may apply.

Likely conclusion: Exempt, unless the merchant is involved in gambling, unlawful investment, fraud or similar prohibited activity.

9.5 Multinational group settlement

Structure:

Japanese subsidiary → overseas parent company

If the parties belong to the same corporate group and the structure is not designed to avoid regulation, the intra-group exemption may apply.

Likely conclusion: Exempt, subject to anti-avoidance and AML/CFT review.

9.6 Payment to overseas unregistered crypto-asset business

Structure:

Japanese user → PSP → overseas unregistered crypto-asset operator

If the overseas business is required to be registered in Japan or the transaction is otherwise unlawful or public-policy-violating, the exemption may be unavailable.

Likely conclusion: High regulatory risk; detailed legal review required.

10. Transitional Measures and Implementation Timeline

Existing businesses may be able to rely on transitional measures.

The general structure is as follows.

Timing	Practical response
Before effective date	Identify Japan-related cross-border payment flows and analyze regulatory status.
Effective date	Transitional period begins for eligible existing businesses.
Within six months	Consider and prepare registration or change-registration application if required.
After application	Business may be able to continue during the review period, subject to transitional rules.
End of transition	Full compliance framework should be in place.

Important practical points include:

- existing registered providers may also need to consider change registration;
- businesses should not wait until the end of the transition period;
- contracts, systems, AML/CFT controls and customer disclosures may require significant preparation;
- high-risk business lines may need to be suspended, terminated or restructured.

11. Practical Compliance Checklist

11.1 Initial mapping

- Identify all services involving Japan-related cross-border payments.
- Prepare fund-flow diagrams.
- Prepare contract-flow diagrams.
- Identify payer, recipient, platform, PSP, bank, acquirer and merchant.
- Confirm which parties are located in Japan and overseas.
- Confirm where the relevant bank accounts or payment accounts are located.
- Identify whether the service provider acts on behalf of the recipient.
- Identify whether funds move from Japan to overseas or from overseas to Japan.

11.2 Exemption analysis

- Does the structure involve a bank or registered funds transfer provider's own funds transfer transaction?
- Is the structure a genuine escrow arrangement?
- Is the platform essentially involved in contract formation?
- Is the PSP acting under proper delegation from a platform or escrow provider?
- Is the transaction within the same corporate group?
- Is the transaction covered by a card or prepaid payment structure?
- Is the exemption analysis supported by contracts, terms, transaction flows and actual operation?

11.3 Exception analysis

- Is the payer's debt discharged when the payer pays the collection agent?
- Does any PSP failure risk remain with the payer or recipient?
- Does the transaction involve online casinos, betting or gambling-related

points or chips?

- Does the transaction involve securities, FX, CFD, derivatives or binary options?
- Does the overseas merchant require Japanese financial registration?
- Does the transaction involve crypto-assets or electronic payment instruments?
- Does the transaction involve fraud, sanctions, anti-social forces or other unlawful conduct?
- Are high-risk merchants subject to enhanced due diligence?

11.4 Contract review

- Are the parties' roles clearly stated?
- Is the authority to collect funds clearly stated?
- Is the timing of debt discharge clear?
- Is the timing of fund delivery clear?
- Are refund and cancellation rules clear?
- Are prohibited transactions clearly defined?
- Are merchant representations and warranties included?
- Are information provision obligations included?
- Are audit and monitoring rights included?
- Are suspension and termination rights included?
- Are regulator cooperation obligations included?

11.5 AML/CFT and governance

- Assign a responsible executive.
- Assign legal and compliance responsibility.
- Assign AML/CFT responsibility.
- Update internal manuals.
- Update merchant screening procedures.
- Conduct sanctions screening.
- Conduct anti-social force screening.
- Conduct transaction monitoring.

- Prepare suspicious transaction escalation procedures.
- Conduct staff training.
- Consider regulator consultation for high-risk structures.
- Report material risks to senior management or the board.

12. Sample Contract Clauses

12.1 Regulatory information clause

Article [●] Provision of Regulatory Information

The Client shall provide the Company with accurate and complete information and documents reasonably required for the Company to determine whether the relevant transactions and services fall within any exemption under Japanese payment services laws and regulations.

12.2 Prohibited transaction clause

Article [●] Prohibited Transactions

The Client shall not use the services for any transaction involving:

- (a) gambling, online casinos, sports betting or similar activities;
- (b) securities, FX, CFD, binary options, derivatives or similar investment transactions;
- (c) unregistered financial instruments business, crypto-asset exchange business or electronic payment instrument business;
- (d) fraud, pyramid schemes, malicious sales practices or consumer harm;
- (e) sanctioned persons, anti-social forces, money laundering or terrorist financing; or
- (f) any transaction that violates laws, public order or good morals.

12.3 Platform representation clause

Article [●] Platform Function

If the Client operates a platform, the Client represents and warrants that it is not merely providing advertising, customer referral, traffic referral or payment

processing services, but is involved in the formation of the underlying transaction contracts in an essential manner.

Upon request, the Client shall provide platform terms, transaction rules, order confirmation flows, cancellation and refund rules, merchant management rules, transaction screen samples and other relevant materials.

12.4 Escrow representation clause

Article [●] Escrow Function

If the relevant service is structured as an escrow service, the Client represents and warrants that funds are delivered to the recipient only after the relevant goods or services have been provided, completed, inspected or accepted, as applicable.

Upon request, the Client shall provide evidence of performance, delivery, inspection, acceptance, cancellation and refund procedures.

12.5 Suspension clause

Article [●] Suspension of Transactions

The Company may suspend, reject or delay any transaction if the Company reasonably determines that the transaction may violate applicable laws, regulatory requirements, sanctions rules, AML/CFT policies, this Agreement or the Company's internal compliance standards.

12.6 Ongoing notification clause

Article [●] Ongoing Notification

The Client shall promptly notify the Company of any change in its business model, merchant category, licensing status, regulatory status, ownership, control,

transaction flow, payment flow, or other matter that may affect the Company's regulatory analysis or compliance obligations.

12.7 Information and audit clause

Article [●] Information and Audit Rights

The Client shall provide the Company with information, records and supporting documents reasonably requested by the Company for purposes of legal compliance, AML/CFT controls, sanctions screening, merchant monitoring, user protection, regulator response or internal audit.

The Company may audit, inspect or review the Client's relevant records, systems and procedures to the extent reasonably necessary to confirm compliance with this Agreement and applicable laws and regulations.

13. Key Takeaways

The reform should be understood as a **layered regulatory framework**.

First, determine whether the service is a cross-border collection agency service.

Second, determine whether an exemption applies.

Third, determine whether a high-risk exception removes the exemption.

The most important practical point is that exemptions are not mere labels. They require substance, documentation and actual operational consistency.

In particular:

- “escrow” must actually involve post-performance fund delivery;
- “platform” must involve essential participation in contract formation;
- “bank-related” structures require more than use of a bank account;
- “card-related” structures do not protect unlawful merchants;
- representations and warranties alone are not sufficient;
- gambling, FX, securities, crypto-asset and fraud-prone businesses require enhanced review.

For foreign businesses, the core message is:

Japan does not intend to restrict legitimate cross-border commerce. However, Japan will no longer allow high-risk payment collection structures to be used as unregulated routes for gambling, fraud, unregistered investment businesses or other unlawful cross-border fund transfers.

14. Conclusion

This reform does not prohibit legitimate cross-border commerce. However, it requires businesses to explain clearly why their payment structure is outside scope, exempt or properly registered.

Foreign platforms, PSPs, payment intermediaries and merchants should pay particular attention to Japan-related transactions involving:

- online casinos;
- betting;
- FX;
- CFD;
- binary options;
- securities;
- crypto-assets;
- unregistered financial businesses;
- fraud-prone investment schemes; and
- other high-risk merchants.

Miyake Law assists clients with:

- legal analysis of cross-border payment structures;
- review of platform, PSP and merchant agreements;
- registration and change-registration strategy;
- AML/CFT compliance framework design;
- regulator consultation; and
- preparation of internal manuals and checklists.