

Amendment to the Banking Act

Overview

Under the current rule, in principle, Japanese banks cannot (i) hold more than 5% of voting rights in Japanese companies which do not fit into the categories listed in the Banking Act (“**Category Companies**”, and such restriction, the “**Shareholding Restriction**”) and (ii) hold more than 50% of voting rights in a Category Company falling into certain categories such as a bank or foreign bank without governmental approval (the “**Subsidiary Restriction**”). While certain FinTech companies can be regarded as Category Companies, not all FinTech companies fit the definition; accordingly, Japanese banks’ investments in FinTech companies have been limited.

The relevant amendments to the Order for Enforcement and the Ordinance for Enforcement, which supplement the details of the aforementioned amendment, will follow later in 2016 or early 2017. Such amendments are expected to benefit both Japanese banks and FinTech companies, by expanding opportunities for Japanese banks to invest in and work more closely with FinTech companies, as well as create more opportunities for M&A activity.

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