

Contact

Yuta Takahashi, Eriko Maki
Marketing & Communication
Email:DTC_PR@tohmatu.co.jp

News Release

FOR IMMEDIATE DISTRIBUTION

Start Practical Experiment of KYC advanced platform utilizing blockchain technology by the Blockchain Study Group

TOKYO, JAPAN, 21 July, 2017 — The Blockchain Study Group, conducted by Deloitte Tohmatsu Group, Mizuho Financial Group, Inc., Sumitomo Mitsui Financial Group, Inc. and Mitsubishi UFJ Financial Group, Inc., has decided to launch another practical experiment on blockchain technology from July 2017 called "KYC(Know Your Customer) advanced platform", following its previous experiment of "Domestic Interbank Payment Operation" reported in November 2016.

KYC operation, as part of Anti-Money Laundering (AML), CFT (Combating the Financing of Terrorism) and Counterfeiting of Economic Sanctions, has been subjected to increased regulatory pressure globally. Japan follows the same trend, which likely to result in increased administrative processing for financial institutions. Therefore, financial institutions are facing the need to promote efficiency and enhancement of KYC through developing an infrastructure commonly available.

In view of this background, the Study Group has decided to cover "KYC advanced platform" as the new topic, utilizing the blockchain features of "resistance to alteration" and "high availability" in order to increase the efficiency of KYC administrative processing. The Study Group plans to create a prototype of the KYC system with blockchain technology and define the specifications. For effect evaluation, it will evaluate the usability of the new system from multiple perspectives such as the satisfiability of requirements (function feasibility, performance, security etc.) and cost reduction effect.

The practical experiment assumes the current KYC administrative processing performed by each financial institution to be collectively performed by a newly established joint operation agency (consortium). In addition, it is also considering of utilizing the confirmation results performed by other financial institutions under the participant institution's discretion in order to simplify the scheme of KYC and related administrative processing. The details of the scheme are as follows:

1. Before a customer carries out a specific transaction*¹, the customer is to register and apply the necessary personal identification information from the consortium's Web registration form.
2. Consortium conducts screening process with sanction lists and others. If it is not applicable, N/A (Screening Information) would be recorded on the blockchain.
3. When the customer requests for a specific transaction, the consortium delivers the customer identification information and Screening Information to financial institution A

under the customer's approval*2. The financial institution A performs the customer's KYC, and determine whether the transaction should be processed or not, based on the information above (in the case errors are found on the blockchain record, consortium would need to conduct step 2 again).

4. If the financial institution A have a specific transaction such as open an account etc., the transaction contents would be recorded as the customer information on the blockchain through the consortium.
5. When the customer requests for a specific transaction to financial institution B, the consortium delivers the customer identification information and Screening Information to financial institution B under the customer's approval*2. The financial institution B confirms that KYC has already been performed for the customer through the consortium and may regard the confirmation as the completion of its KYC (This process is under each financial institution's discretion). (In such case, the financial institution B may also refer to the customer information record on the blockchain and confirm whether the customer has requested the same transaction with several other financial institutions, and verify whether there is no risk of impersonation.)

Although the process described above assumes the case of customers starting new transactions with consortium participant institutions, the study group also plans to discuss in the practical experiment, the case of existing customers dealing with their financial institutions participating in the consortium.

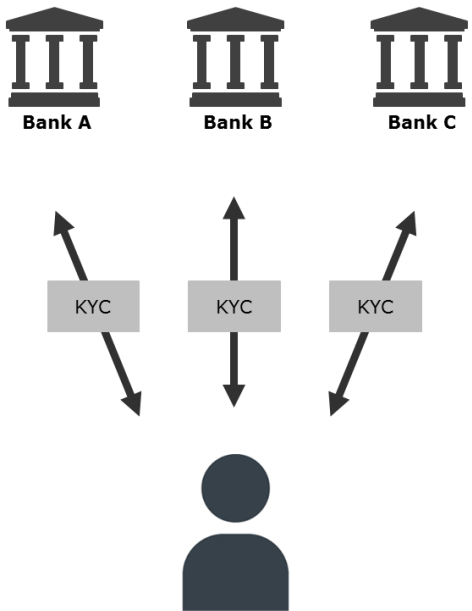
In the near future when the "FinTech Practical Experiment Hub (tentative)" described in "Future Investment Strategy 2017"(Cabinet Decision, June 9, 2017) is established in the Financial Services Agency, the Study Group may also consider applying for this framework.

*1 Transactions such as account opening, large cash transaction exceeding 2 million yen, cash transfer exceeding 100,000 yen

*2 The experiment assumes the customer to present the digital certificate acquired as the proof of the registration of the identity confirmation information

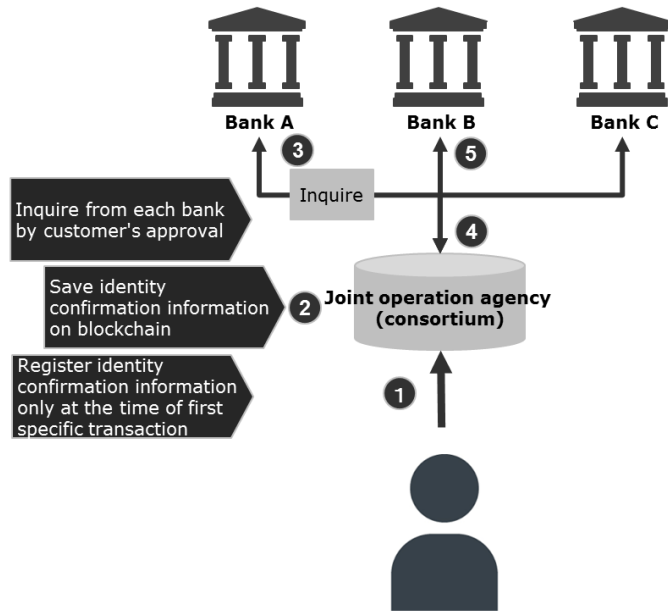
<<diagram of the practical experiment of the KYC >>

Traditional KYC



For every financial institution the customer desires to trade, KYC needs to be performed individually

KYC of the practical experiment (image)



Improve the efficiency of the administrative processing at financial institutions by referring to accumulated Identity confirmation information

The Blockchain Study Group recognizes that blockchain technology is one of the elemental technologies necessary for Japan's continuous growth. The Study Group's final objective is to contribute to the establishment of the foundation of blockchain technology by domestic financial institutions, and to improve their technology to the level equivalent to that of financial institutions in Europe and the United States. Through such initiative, the team will define the direction of commercialization and continue to contribute to the progress of financial industry.

For your reference, please follow this link to see the report on the previous "Practical Experiment of Blockchain Technology in Japanese Domestic Interbank Payment Operation".

Report on Practical Experiment of Blockchain Technology in Japanese Domestic Interbank Payment Operation by the Blockchain Study Group(30 November, 2016)

<https://www2.deloitte.com/jp/en/pages/about-deloitte/articles/news-releases/nr20161130.html>

About Deloitte

Deloitte Tohmatsu Group (Deloitte Japan) is a collective term that refers to Deloitte Tohmatsu LLC, which is the Japan member firm of Deloitte Touche Tohmatsu Limited (DTTL), a UK private company limited by guarantee, and firms affiliated with Deloitte Tohmatsu LLC that include Deloitte Touche Tohmatsu LLC, Deloitte Tohmatsu Consulting LLC, Deloitte Tohmatsu Financial Advisory LLC, Deloitte Tohmatsu Tax Co., DT Legal Japan, and Deloitte Tohmatsu Corporate Solutions LLC. Deloitte Tohmatsu Group is known as one of the largest professional services groups in Japan. Through the firms in the Group, Deloitte Tohmatsu Group provides audit & assurance, risk advisory, consulting, financial advisory, tax, legal and related services in accordance with applicable laws and regulations. With about 11,000 professionals in nearly 40 cities throughout Japan, Deloitte Tohmatsu Group serves a number of clients including multinational enterprises and major Japanese businesses. For more information, please visit the Group's website at www.deloitte.com/jp/en.

Deloitte provides audit & assurance, consulting, financial advisory, risk advisory, tax and related services to public and private clients spanning multiple industries. Deloitte serves four out of five Fortune Global 500® companies through a globally connected network of member firms in more than 150 countries and territories bringing world-class capabilities, insights, and high-quality service to address clients' most complex business challenges. To learn more about how Deloitte's approximately 245,000 professionals make an impact that matters, please connect with us on Facebook, LinkedIn, or Twitter.

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee ("DTTL"), its network of member firms, and their related entities. DTTL and each of its member firms are legally separate and independent entities. DTTL (also referred to as "Deloitte Global") does not provide services to clients. Please see www.deloitte.com/about to learn more about our global network of member firms.

Member of
Deloitte Touche Tohmatsu Limited