

## **Summary of Guidelines for JADA, Japan Authority of Digital Assets**

**October 23, 2014**

General Incorporated Association, Japan Authority of Digital Assets

### **[ Purpose ]**

General incorporated association, Japan Authority of Digital Assets (hereinafter JADA) is the operators' association organized for the purpose of creating a sound trading and business environment for digital assets, such as Bitcoin. In creating such a business environment for digital assets, JADA asks the participating operators to comply with the following measures.

### **[ Summary ]**

The following are the minimum conditions required of participating operators when providing services. Conditions labelled "recommended" are services preferred to be applied relating to digital assets by each operator.

### **[ Details ]**

- Filing to JADA
  - Regarding exchanges and market places, submit the filing document to JADA at the time of the opening.
  - (Recommended) Any other digital asset operators to submit the filing document.
- Explanation to Clients
  - Risk management
    - Explanation on risks associated with transactions before a trading
    - (Strongly recommended) Segregated management of clients' and operator's assets
    - (Recommended) Explanation on indemnity policy
  - Inquiry desk
    - (Recommended) Establishment of clients' inquiry system (indicate necessary information such as a place of contact and a means of communication)
- Security
  - General Security Measures
    - Development of Firewall
    - Confirmation of valid SSL certificate
    - Periodical application of security batch to all software
    - Installation of anti-virus software and periodical application of security patches
    - Ban of in-use of common servers such as hosting servers

- Require use of services better than VPS
  - If using 'Bitcoin' software, apply at least the same or higher version than suggested by JADA
  - (Recommended) Establish web security measures such as cross site scripting or SQL injection
  - (Recommended) Submit network configuration chart and logical diagram
- Setup of cold wallet
- Development of Compliance System
  - (Recommended) Appointment of Compliance officer
  - (Recommended) Formulation of Internal Regulations
  - (Recommended) Periodical audit based on internal regulations
- Identity Verification (Know Your Customer : KYC)
  - This section applies to operators handling currencies and digital assets
  - Identity verification level based on the transaction value (require to match documents).
  - The above identity verification process may be skipped by the operator if its business alliance partner has already performed it.

### **[ Individuals ]**

- Tier 0: IF,
  - Trade amount up to 50,000 yen per day, OR
  - Trade amount up to 250,000 yen per month, THEN,
  - Registration of mail address and SMS verification of cellular phone required
- Tier 1: IF,
  - Trade amount above 50,000 yen but not more than 500,000 yen per day, OR
  - Trade amount above 250,000 yen but not more than 2,500,000 yen per month, THEN Personal identification documents such as driver's license or passport (public document with photo, the document without photo is not accepted) and the photo of the individual taken with the identification documents required.
- Tier 2: IF,
  - Trade amount above 500,000 yen per day, OR
  - Trade amount above 2,500,000 yen per month, THEN
  - In addition to the required documents at Tier 1, verification of the registered bank account required AND
  - (Recommended) Identification check using Anti-Money Laundering measure (AML) services (ACCUITY, Reuters,

Nikkei Telecom, etc.) required.

- If an operator's client is less than 20 years old, such operator seeks consent from the person who has parental authority for, or is the legal guardian of, the client.

### **[ Corporations ]**

- Corporations here include Security Company, Incorporated Company, Limited Partnership and Limited Liability Company, and all the incorporated associations.
  - Soon after the identification is verified, apply the conditions under [Individuals] Tier 2.
  - In Corporations, the outlines in Tier 0 and Tier 1 under [Individuals] should not be applied.
  - Request certified copy of registration issued within the past 6 months
  - Verify the registered bank account.
  - (Recommended) Request public identification document with photo, such as driver's license or passport of the individual responsible for a trade (equivalent to a director in charge)
  - File any Ultimate Beneficial Owner, or UBO, who holds 25% or more of the company's voting rights
  - (Recommended) Provide identification check using AML services (ACCUITY, Reuters, Nikkei Telecom, etc.)
- Anti-Money Laundering (or AML) Guidelines
    - Create a black list and report to JADA
    - Report any doubtful transactions to JADA
    - Keep the transaction records (for 7 years)
    - Utilize existing AML services
  - Collaboration with an Investigation Agency
    - Collaboration for an inquiry from an investigation agency
    - Establish an emergency communication network with JADA

### **[ Effective Date ]**

The effective date of these guidelines is October 23, 2014.

The period between October 24 and December 31, 2014 is regarded as the grace period for adoption as each operator needs to prepare for incorporation of the rules.