

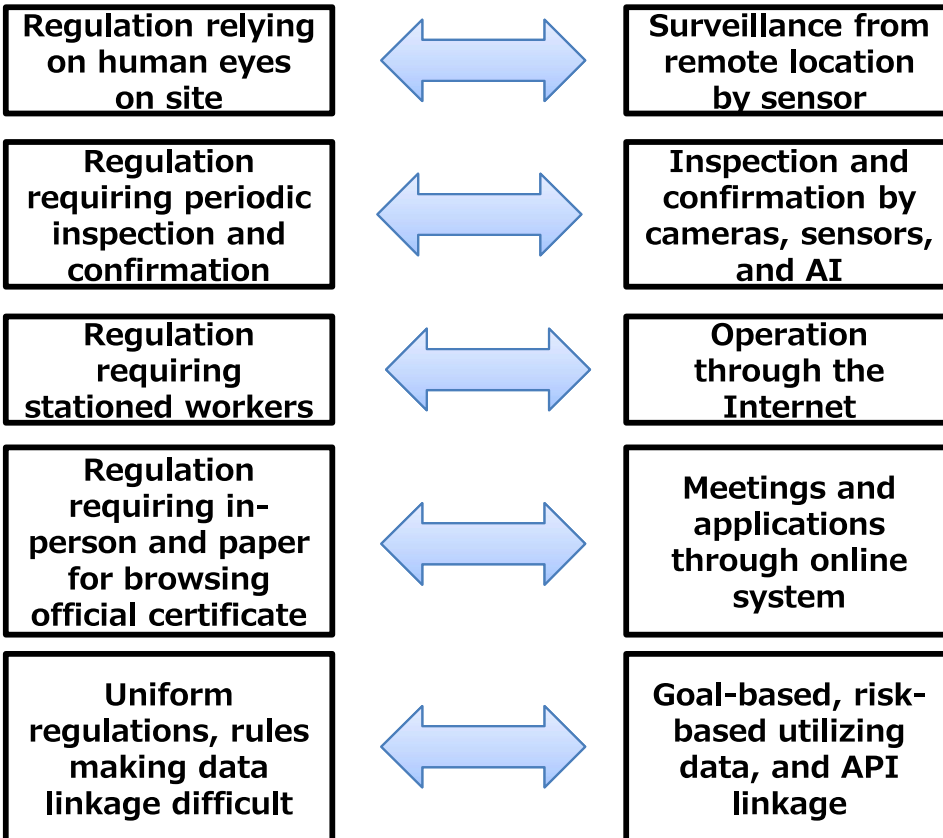
# **Regulations and Institutions in the Digital Era**

**Economic and Industrial Policy Bureau  
Commerce and Information Policy Bureau  
Commerce and Service Industry Policy Group**

# Current Issues① (Necessity of law system suitable for digital era)

- Amidst the digital era, obstacles exist for creating innovation utilizing new technology, such as ambiguity in application of laws because the current system doesn't assume digital technology, and difficulty in establishing "legislative facts" necessary to revise the current system due to lack of facts before implementation of technology.
- Also, it is difficult for some to access official notices, circulars, supporting documentations, formats, or forms which function as *de facto* rules. Companies lack resources to understand how laws are applied to new technology, and face difficulties in strategically utilizing the legal system.

## ■ Relationship between current system and new technology



## ■ Social implementation and legislative facts

Statutory law oriented,  
Legalism



**Legislative facts**  
(social facts as evidence)

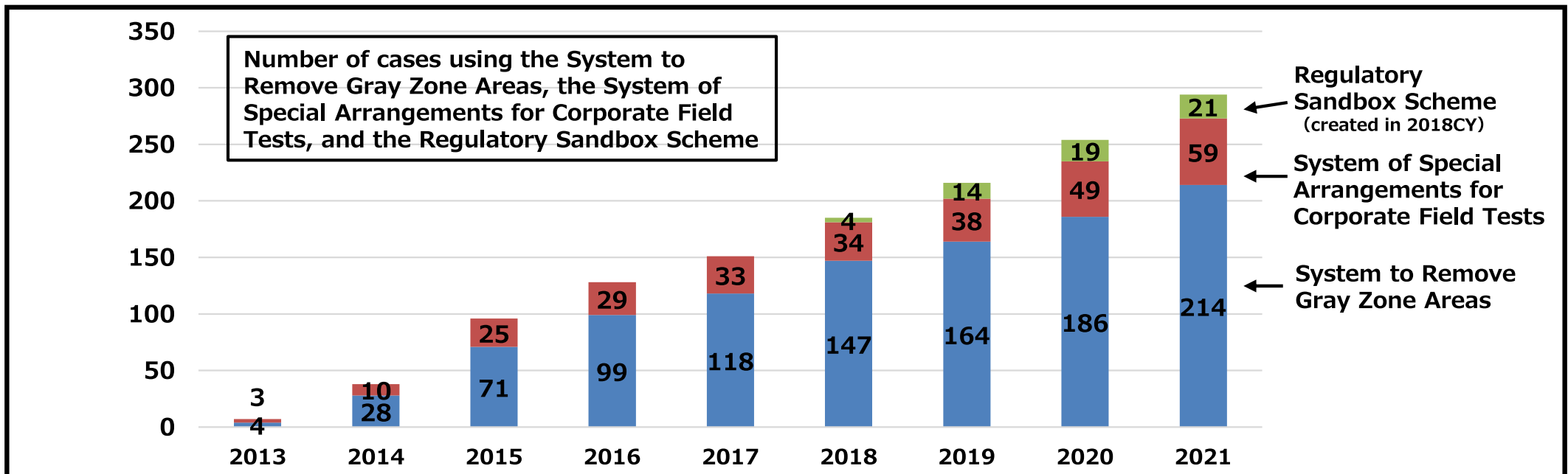


No facts before social  
implementation

※Instant penalty for unexpected accidents under no regulation or unclear regulation

# Current Issues② (Policy Responses So Far)

- Recognizing such issues, we introduced “the System of Special Arrangements for Corporate Field Tests” and “the System to Remove Gray Zone Areas” under the Industrial Competitiveness Enhancement Act in 2014. We adopted a scheme which placed the “business supervisory Ministry” between companies and the regulating Ministry, to facilitate proposals and ex-ante consultations by companies.
- To reform regulations in accordance with new technologies, it is necessary to conduct demonstration tests beforehand to collect data and evidence. However, in some regulations such demonstrations could not be conducted. To overcome this issue, we introduced the “Regulatory Sandbox Scheme” to conduct demonstration under sufficient control or no safety risk, under the cooperation between companies and ministries.
- Although these systems are gradually becoming known to large companies, some point that there is more room for improvement, noting the necessity to publicize these systems to startups and SMEs, and difficulties for companies lacking resources such as startups to understand the application of laws.
- Also, it is difficult to utilize these systems when major adjustments with the industry are necessary, or the fundamental concept of existing laws is completely detached from the assumption of new technology.



# New Direction : Organizing Law System Environment to Encourage Innovation

- We shall cooperate with Ministries concerned to address the following points so that regulations and systems serve to enhance innovation in the digital era.
  - ① Securing the function of reforming regulations and systems as needed in a timely manner (Implementation of digital principle, and creation of digital legislation bureau function)
  - ② Strengthening accessibility to statutes (law and ordinance) and *de facto* rules (official notices, circulars, supporting documentations, formats, and forms etc.)
  - ③ Strengthen functions of companies to strategically utilize regulations and systems, implement reforms (strengthening strategic legal function)
  - ④ Cooperation between companies and the supervisory ministry to reform regulations and systems in areas especially in need for straightening out how laws are applied, such as NFTs and mobility (to be achieved through demonstration projects by METI etc)
  - ⑤ Construct a framework that considers regulations, involving not only existing stakeholders but also all consumers and the entire population, based on data, and from the perspective of encouraging innovation