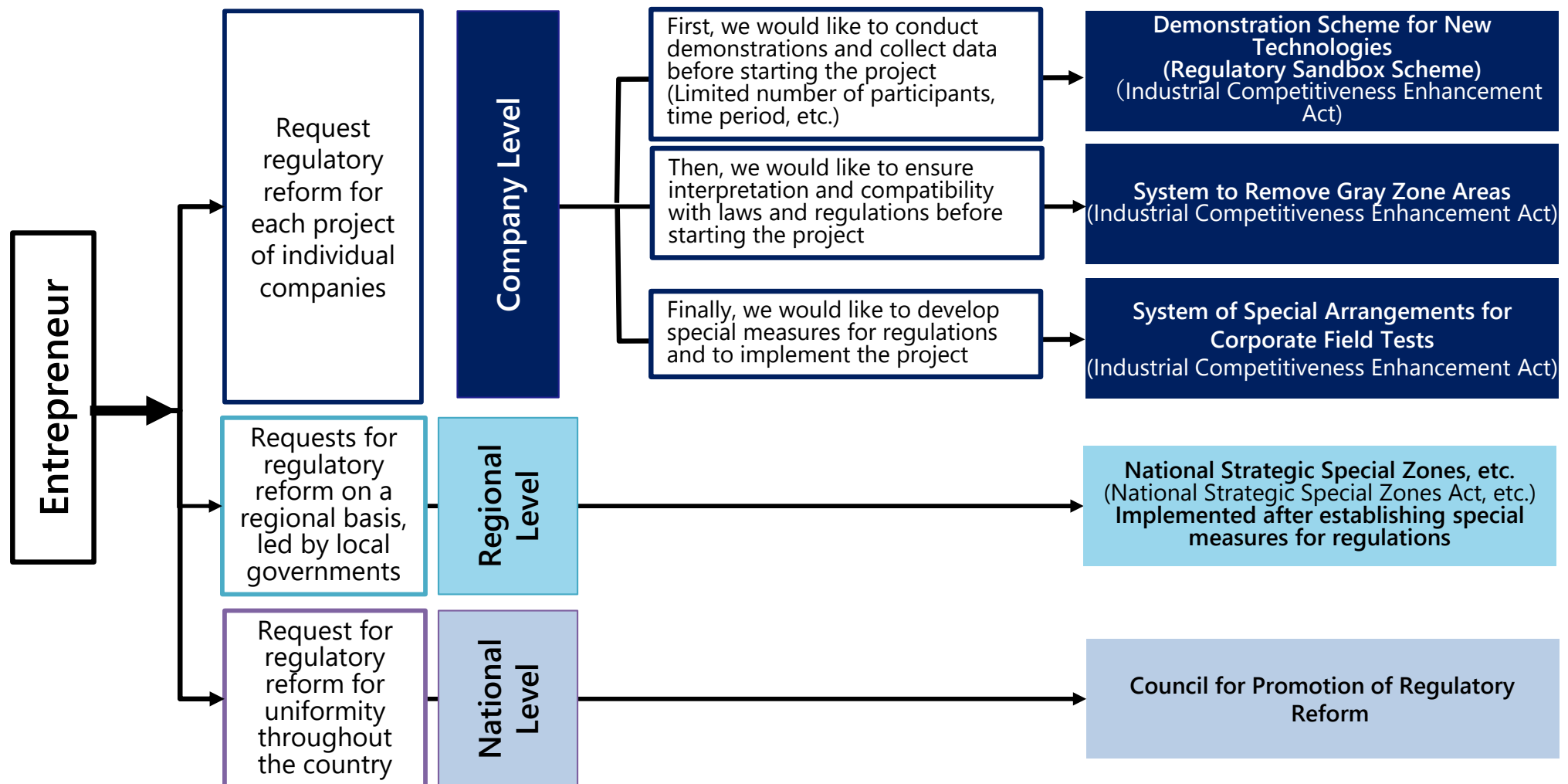


# Issues and Measures Related to Regulations for Startups

Ministry of Economy, Trade and Industry (METI)

# Government Regulatory Reform: Promotion of Regulatory Reform through "Three-Tier" Initiatives

- Promotion of "regulatory reform" is an important policy issue for achieving sustainable economic growth.
- In addition to "national level" reform through discussions at the Council for Promotion of Regulatory Reform, etc., and "regional level" reform through special zone systems, such as the National Strategic Special Zones, etc., the government will promote regulatory reform by utilizing a three-tiered structure for "company level" reform that includes "Regulatory Sandbox Scheme," "System of Special Arrangements for Corporate Field Tests," and "System to Remove Gray Zone Areas".



\*Establish a single point of contact, "Promotion Team for Social Implementation of New Technologies", for Regulatory Sandbox, etc. in the Cabinet Secretariat

# Establishment of Task Force for Creation of New Markets for Startups

- Startups are important players in creating new markets. For startups challenging themselves with new business, dealing with existing regulations is a key issue. However, even if there is a support system to deal with regulations at a company level, the hurdle for startups with limited management resources is high, and they often fail to take advantage of the system.
- In this regard, a task force has been established to provide legal support in creating new markets for startups that are working on their own regulatory reforms. The task force identifies relevant laws and regulations and helps with various support systems.

**[Establishment of Task Force for Creation of New Markets for Startups]** (Support from leading professional lawyers)

- Ministry of Economy, Trade and Industry (METI) is appointing mid-career and young lawyers specializing in start-up support as task force members.
- The task force receives information from start-ups on new business, identifies regulatory laws and regulations that might create obstacles, and sorts out legal issues, leading to the use of the "company level support system".  
\*Regulatory Sandbox Scheme / System to Remove Gray Zone Areas / System of Special Arrangements for Corporate Field Tests
- The task force conducts case reviews on a regular basis and makes proposals for regulatory reform on the basis of these reviews.



Collaboration

## **[Support Community]**

(A support network of a wide range of volunteers)

- Forming an open community aimed toward reforming regulations and creating new rules for the creation of new markets for startups.
- This includes human resource development projects, media communication such as exchange events, research projects, internships, etc.

# Startup Consultation Process

**For startups that have not been able to identify regulations and systems or have inadequate information about them**

**Establishment of Task Force for Creation of New Markets for Startups**

- Understand the nature of the new business activities and identify relevant laws and regulations
- Propose risks of conflict with industry laws, etc., and available regulatory reform tools

**For startups that have identified laws and regulations for regulatory reform**

- **System to Remove Gray Zone Areas** → Ministry with jurisdiction over regulations (Ministry of Economy, Trade and Industry, etc.)
- **System of Special Arrangements for Corporate Field Tests** → Ministry with jurisdiction over business (Ministry of Economy, Trade and Industry, etc.)
- **Regulatory Sandbox Scheme** → Single point of contact for the cabinet secretariat “Promotion Team for Social Implementation of New Technologies”

**For startups that have regional level or national level regulatory reform request**

- National Strategic Special Zones, etc.,
- Council for Promotion of Regulatory Reform

**For startups with legal challenges not related to regulatory reform**

Legal coordination with business partners and investors, internal legal coordination, etc.

[Consultation with Ministry with jurisdiction over regulations]

**Ministry of Economy, Trade and Industry (METI)**

Support for application preparation, including explaining the system and confirmation of content.

The person in charge will support individual cases in collaboration with the Ministry's departments and lawyers.

[Consultation with Ministry with jurisdiction for business]

**Ministry of Economy, Trade and Industry (METI)/ Ministry with jurisdiction over regulations**

Approval of the sandbox demonstration plan, responses to gray zone inquiries, and coordination for approval of plans with special measures for regulations/applicability of special measures for regulations.

[Commercialization]

**Creation of new markets through commercialization by clarifying and reviewing regulations**

**Cabinet Office's Office for Promotion of Regional Revitalization, Cabinet Office's Council for the Promotion of Regulatory Reform**

**Organization for Small & Medium Enterprises and Regional Innovation**

Individual consultation services provided by venture reboot / legal support team

# (Reference) An example case of a startup implementing regulatory reform and creating a new market: Electric scooters

- Electric scooters fall under the category of "Motorized Bicycles" (Road Transport Vehicle Act and Road Traffic Act)

1) Less than 30km/h, 2) Riding on only roads is allowed, 3) Helmets are mandatory, 4) Driver's license is required, etc.

⇒ Use of vehicles that do not comply with these requirements is a violation of the law.

## Demonstration of Sandbox

- Luup and moby ride acquired planning approval for sandbox and demonstrated electric scooters in some areas of the university campus which were arranged as non-public roads. [December 2019 - April 2020]

## Establishment of special measures for regulations

- After the completion of the demonstration, the "System of Special Arrangements for Corporate Field Tests" was utilized to **create new special measures for regulations.**

Special arrangement no.1 (from September 2020 onwards)

- Maximum speed limited to 20 km/h or less
- **Riding in the standard bicycle lane is permitted**

Special arrangement no.2 (from April 2021 onwards)

- Maximum speed limited to 15 km/h or less
- **Riding in the standard bicycle lane and bicycle track is permitted**
- **Helmets are optional, etc.**

- An entrepreneur offering an electric scooter sharing service carrying out the business on public roads, subject to special measures for regulations. [From October 2020 onwards]

### Bicycle Lanes



Standard bicycle lane



Bicycle track

## Road Traffic Act Revision

- In the revised Road Traffic Act of 2022, "specified small motorized bicycle" is established as a new vehicle category based on the maximum speed, etc. for electric scooters and other vehicles on public roads.

