

Tokyo's Significance as a Global Financial Center and the Type of International Financial Center It Should Aspire to Be

Tokyo's significance as a global financial center The securities and asset management industries should take the lead in driving Japan's sustainable economic expansion while striving for growth integrated with overseas economies
The type of international financial center Tokyo should aspire to be Asia's number one global financial center, making maximum use of a lineup of domestic enterprises that boast a scale unique in Asia and boasting abundant private financial assets

Current Tokyo Market Situation

Issues

Main Efforts Targeted at Issues

Asset management industry

- Loss of asset management and trading units and fund managers to Hong Kong, Singapore and other locations overseas
- Increasing overseas consignment of investment trust management
- Japan's positioning as a sales base rather than for asset management
- Rigidity of human resource performance assessment systems related to asset management personnel
- Small market size compared to the size of the economy of Japan

- More support needed for establishing asset management firms in Tokyo and providing incentives for them to locate here
- More training needed for asset management personnel
- Better asset management skills needed
- Push for widespread adoption and use of the Stewardship Code
- Better assessment and remuneration system reforms required
- Expand offerings of retail products
- Promote Tokyo as a global fund center

Strengthen the asset management industry (a priority issue related to turning Tokyo's market into a global financial center)

- Establish the working group on asset management (this council)
- Carry out research on asset management business in overseas markets (JITA)
- Support foreign government and public agency road shows (JITA)
- Conducted a questionnaire regarding responses to Japan's Stewardship Code (JIAA)
- Hold a continuing series of expanded corporate governance workshop (JIAA)
- Provide an environment to encourage domestic institutional investors to invest in diverse products (council secretariat organizations)
- Human resource training at universities and graduate schools
- Use National Strategic Special Zones in efforts to develop the asset management industry
- Establish Japanese versions of Emerging Managers Programs
- Change compensation systems of public pensions for asset management
- Make NISAs and Junior NISAs permanent, expand and simplify them
- Abolish the special corporate tax on DCs and raise the maximum level of DC amounts
- Provide an environment conducive to promoting intergenerational transfers of financial assets

Further deliberate requests to the national and metropolitan governments

Stock, ETF and ETN markets

- High liquidity sustained by overseas investors' high shares
- Liquidity dominated by some products in ETF and ETN markets

Bond market

- Preponderance of domestic institutional investors among government bond investors
- Small size of corporate bond market dominated by corporations with high credit ratings; few holdings by overseas investors

Derivatives market

- Relatively small derivatives market
- Preponderance of equity index issues traded
- Low share of trading by domestic investors

Other market-related issues

- Insufficient growth fund supply capabilities
- Underdeveloped markets for professionals
- Systems and infrastructure need to function more strongly

- Diversify primary markets (and products)
- Publicize corporate governance reforms abroad
- Diversify investor segments
- Make institutional investors' investment management policies more flexible
- Vitalize the corporate bond market
- Offer a variety of derivatives products
- Develop markets for professionals
- Strengthen the functioning of systems and infrastructure

Stimulate stock, ETF and ETN markets

- Publicize Corporate Governance Codes and disseminate information (JPX)
- Diversify product listings, including ETFs, J-REITs, and Infrastructure funds (JPX)

Vitalize bond markets

- Continue discussions in the Study Group to Vitalize the Corporate Bond Market (JSDA)
- Host a forum on bond market vitalization (JSDA)

Vitalize derivatives markets

- Carry out activities including seminars to popularize derivatives trading among individual investors (JPX and securities and asset management industries)
- Offer a variety of listed derivatives products (JPX)
- Review request for tax system revisions designed to expand the scope of profit and loss offsets on financial products to include derivatives trading

Other market-related provisions

- Carry out promotional activities aimed at bond issuers to vitalize Pro-Bond market use (JPX)
- Consider making government bond and share settlements possible in shorter time frames (JSDA, TSE, JSCC)

Business and lifestyle environment

- Insufficient provisions for the use of English in business and the lifestyle environment
- Compared to Hong Kong and Singapore, not enough system and lifestyle environment provisions have been made to welcome foreign companies and professionals

- Reduce language barriers
- Provide an environment that accommodates sophisticated expatriate personnel
- Establish regulations designed to attract overseas financial institutions to Tokyo

Efforts related to business and lifestyle environment enhancements

- Achieve more robust dissemination of information in English (council secretariat organizations)
- Host international financial conferences and attract financial bases of operation (council secretariat organizations)
- Coordinate with the Council for Town Planning to Create Investment and Growth to promote improvements in the business environment (this council)
- Strengthen governmental English-language capabilities
- Provide a more comfortable living environment for foreigners
- Promote flexible financial administrative oversight regarding financial businesses operated in Tokyo

Further deliberate requests to the national and metropolitan governments