

## 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 EFN 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 EFN 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