

# Report of the Working Group on Asset Management (Summary)

[Background]

1. The report of the Council for Tokyo Global Financial Center Promotional Activities (September 2015) noted that strengthening the asset management industry is the most important issue for making Tokyo a global financial center;
2. Given the report, the Working Group on Asset Management (hereinafter "WG") was set up under the council's auspices, to discuss the issues concerning asset management and future initiatives

## Issues and initiatives raised in WG report

### Strengthening the asset management capabilities and improving trust in the asset management industry

- Promoting the establishment of training facilities for cultivating highly skilled financial professionals
  - Consider the following measures for supporting the on-going initiatives to cluster asset management companies in Nihombashi Kabuto-cho district
    - ① Appropriate and integrated training programs that are useful for broad-range of financial personnel in collaboration with the public sector, industry associations and private sector
    - ② Collaboration with educational institutions that are specialized in finance research
    - ③ Study support programs at asset management companies
    - ④ Training programs for executives of asset management companies
    - ⑤ How to operate the aforementioned programs
- Attracting and retaining human resources for asset management
  - Create career development and remuneration systems for professionals
  - Create English language environments for recruiting personnel from overseas
  - Share issues such as the tax system and living environment for foreigners with the relevant authorities
- Globalization of investment trusts
  - (1) Promoting the Asia Region Funds Passport (ARFP) framework
    - Consider attractive products and fund structures for ARFP framework
    - Consider measures to provide attractive products to a wide range of investors in not only ARFP participating countries but also non-participating countries.
    - Deliberate on measures to rationalize and optimize the various practices of investment trusts
    - Deliberate on domestic regulations taking account of trends in foreign countries, and lobby the relevant authorities
  - (2) Reviewing the NAV calculate net asset value
    - Sort out the issues concerning how to optimize the operation for calculating net asset value of investment trusts in line with international standards
- Promoting the development of FinTech business
  - Promote the use of asset management-related FinTech in collaboration with the Financial Services Agency
  - Cooperate for preparation, etc. of incubation facilities such as small offices

- Fulfilling fiduciary duties by asset management companies
  - (1) Strengthening governance at investment trusts
    - Survey and report on how investment trusts overseas are governed
    - Collect and report on examples of initiatives to strengthen governance
    - Deliberate on measures to strengthen overall initiatives for governance
    - Identify the practical issues for the formation and sales of funds that use the structure of investment companies, and work on relevant institutions.
    - Deliberate on how the flexible consolidation and redemption of investment trusts can be made
  - (2) Initiatives to improve trust in asset management companies
    - Implement specific initiatives towards the fulfillment of fiduciary duties
    - Share best practices among asset managers
    - Continue to convene the Expanded Corporate Governance Workshop and disseminate details externally
    - Promote compliance with the Stewardship Code and appropriate engagement in invested companies

Link

### Improving the business environment

- Clustering the asset management companies in Kabuto-cho district
  - The project in Nihombashi Kabuto-cho district, the project that provides venues for asset management companies' start-ups and developments, is nominated as an urban redevelopment project in the National Strategic Special Zone
  - Support the following initiatives to cluster the asset management companies in Nihombashi Kabuto-cho district
    - ① Provide facilities for clustering emerging asset management companies, etc.
    - ② Provide finance incubation facilities
    - ③ Provide facilities for educating highly qualified finance personnel
    - ④ Provide facilities for dialogue and interaction between investors and corporations
    - ⑤ Provide a comfortable living environments for highly skilled financial professionals from foreign countries

According to "the Japan Revitalization Strategy 2016", the national government and the Tokyo Metropolitan Government are expected to take initiatives to utilize effectively the national strategic special zone and to enhance promotion policies, so that the area near Eitai street including Kabuto-cho district will function as a showcase for attracting highly skilled human resources in finance from other countries by 2020.
- Promoting the entry of new asset management companies, etc.
  - At the committee scheduled to be set up by the Tokyo Metropolitan Government, the Financial Services Agency, and private sector operators, share issues concerning the entry of new asset management companies
  - Survey and information sharing concerning the Emerging Managers Program
- Rationalizing and optimizing the operations in middle/back-office
  - Consider the feasibility of and issues in outsourcing middle/back-office operations
  - Identify obstacles to standardized operations in middle/back-office and consider improvements of the operations

Link

### Provide products that contribute to medium- to long-term asset formation

- Promoting the establishment and sales of products that contribute to the medium- to long-term investments for the future
  - Create products to meet various needs and promote long-term investment
  - Study on characteristics of investment trusts, and the rates and systems of these management fees
  - Consider measures to support specific initiatives of each sales company
- Promoting further disclosure of information to customers
  - Simplify terms and descriptions in prospectuses, etc.
  - Enhance the function of the database called "Investment Trusts Comprehensive Search Library" (offered by JITA)
  - Consider measures to support specific initiatives of each sales company
- Promoting the use of defined contribution pension plans (DC), expand the contribution limits of the tax system called "NISA" and "Junior NISA", and make them available permanently
  - Request tax reforms concerning the permanency and enhancements to NISA and Junior NISA
  - Advertising activities for NISA and Junior NISA using TV commercial message and newspaper ads
  - Deliberate and work on issues to popularize and promote workplace NISA and DC
- Improving financial literacy
  - Take action to expand financial and economic education in schools
  - Expand the educational projects of dispatching lecturers and organizing seminars for university students and working adults
  - Enhance web contents and expand the dissemination of information

○ The issues raised in the report are to be addressed through initiatives of investment trust management firms, asset management companies, sales companies, and related associations, etc. under the leadership of the secretariat associations.