

Statement of Minister for Financial Services

April 8, 2016

Since the late 1990's, significant efforts toward diversifying investment products and enhancing trading technologies in Japanese stock markets/exchanges have been made.

In recent years, for instance, high-speed trading has considerably increased, leading to some concerns being raised, including the following points:

- It may be one of the factors contributing to recent market volatility, and
- It may have a negative effect on the consideration of long-term market value of listed companies and thereby have distortive effects on price formation in the markets.

In view of such concerns being raised, we think that it is important to review the impact of high-speed trading upon the efficiency, transparency and stability of the markets.

Taking account of the current financial conditions, global portfolio diversification and sophistication of asset management activities are becoming increasingly crucial for stable wealth formation of the nation. It is also important to consider what efforts should be taken by financial institutions, which engage in product development, distribution, and asset management and maintenance, from the standpoint of their fiduciary duties, which can be broadly defined as equivalent to customer-oriented management.

Further, the development of FinTech such as block-chain technology is now a rapidly emerging, important topic for market participants to address intentionally. Discussion also needs to be held on what kind of solutions we should prepare in order to enhance the competitiveness of our markets.

In conclusion, the Japan FSA believes that various issues in Japanese markets and exchanges would need to be addressed from a broad perspective. Now, we are delighted to announce that a general meeting of the Financial System Council will be convened in early April in order for experts to discuss the above-mentioned issues and to recommend the necessary next steps.