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3 Challenges for Developing Tokyo Market

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* *Any views expressed in this presentation are those of the speaker, and do not represent the official views of JFSA.*

3 Challenges for Developing Tokyo Market



1. JPX Challenges

- Finalizing consolidation of TSE and OSE.

Reorganizing them into Stock Exchange(TSE) and Derivative Exchange(OSE).
(3rd among world stock exchanges, 17th among world derivative exchanges)

- New Products

- New Stock Price Index (starting Jan. 2014) :
 - 400 listed companies selected on higher ROE and better corporate governance
 - ⇒ *incentives for companies to pursue more efficient and higher quality management*
 - ⇒ *investment benchmark for Japanese companies and other Asian growth*
- New J-REIT/ETF (funding for healthcare facilities, Infrastructures including solar power station)
 - ⇒ *help funding to new demand under aging society /ecological society*
- Mutual listing of ETFs, Index Futures and Options between JPX and Asian Exchanges
- Asian companies' utilization of Tokyo Pro-Bond Market
 - ⇒ *collaboration with Asian countries*
 - (supplying funds from Japan to other Asian countries)



1. JPX Challenges (Cont'd)

- Initiative for a Comprehensive Exchange

- Japan's low position among global derivatives markets, especially in the field of commodities
 - ⇒ *Installing a Comprehensive Exchange where financial/commodities derivatives are traded*
 - ⇒ *Expanding the derivatives market(financial/commodities), new product development, gaining global competitiveness*

2. Government Challenges (Abe administration's 3rd Arrow)

- The Japan Revitalization Strategy (Cabinet decision, June 2013)
- Panel for Vitalizing Financial/Capital Market (Nov 2013)

- Promoting the supply of funds from households to growth areas

- 1600 trillion yen household financial assets : 55% bank deposits
- NISA (tax-free small amount saving system)
- Japanese 401K

- Portfolio Rebalancing of public/quasi-public fund

- Advisory Panel Report about GPIF(Government Pension Investment Fund) (Nov 20)

- Big companies' reform

- development strategy in accordance with Asian growth
- corporate governance(J-stewardship codes, independent executive board member)
- new type of restructuring(curve out high tech section and combining it with other companies' curved out sections —e.g. “Japan Display” (Hitachi, Toshiba, Sony)



2. Government Challenges (Abe administration’s 3rd Arrow) (Cont’d)

- **Promoting venture business/venture capital**
 - crowd funding, preferential tax treatment for angels
- **Technical assistance to Asian countries**
 - financial laws/regulations, experiences of supervisory authorities, establishing a system of exchanges and clearing/settlement , etc.

3. Tokyo Challenges for “Global City”

- **Tokyo’s status as a financial center is declining?**
 - Foreign banks branches 80(in 2004) ⇒ 62(in 2013)
- **“The Plan to Strengthen the Function as a Global Financial Center” (starting Apr. 2008)**
 - Supply of high quality office buildings(Tokyo Station/Yurakucho area & Shinbashi,Akasaka, Roppongi area)
 - Development of transportation(Easier access from airport to city center)
 - Living conditions for foreign financial sector experts (housekeeper’s immigration, international school, hospital, day-nursery, etc.)
 - Japanese experts (legal/accounting/consultant/IT) with high proficiency in English
- **City development plan for dealing with natural disasters**
- **New target : 2020 Tokyo Olympics**
 - PPP, PFI