

New Economic Measures (2020.12.8)

II - 2 (3) (iii) Realization of “Japan as a global financial center”

While Japan, as a financial business center, offers advantages in terms of good public security, a favorable living environment, and business potential with household assets worth more than 18 trillion dollars, it still faces challenges in attracting global investors and businesses to its market as well as promoting linguistic and social diversity.

Taking advantage of lessons learned from the successful inbound tourism campaign, the Financial Services Agency (JFSA) intends to make a breakthrough in the financial sector, mainly in the asset management business sector, with the aim of making Japan an attractive place for foreign nationals to do business in addition to a tourism destination.

JFSA intends to strategically reform financial and capital markets to make them more attractive for foreign businesses and highly-skilled professionals, thereby realizing “Japan as a global financial center”.

In particular, JFSA will remove regulatory- and taxation-bottlenecks,ⁱ enhance the attractivenessⁱⁱ of financial and capital markets, and carry out corporate governance-reform in order to make it easier for foreign businesses and professionals who are already engaged in asset management businessⁱⁱⁱ overseas to conduct the same kind of business in Japan.

The national government, local governments, and the private sector will jointly collaborate to create an attractive business- and living-environment for foreign nationals who are intending to conduct asset management businesses in Japan, so that the foreign nationals may consider Japan as an anxiety-free "choice location" for conducting business as part of potential market entrants' global business schemes.

Joint collaborative key initiatives are:

- to provide seamless consultative support for foreign nationals intending to conduct asset management businesses in Japan, mainly in terms of establishing corporations, commencing businesses, and settling in and establishing secure livelihoods;
- to make English communication available in supporting newly entering foreign asset management companies and others in terms of pre-application consultation,

registration, supervision and others;

- to relax requirements for obtaining status of residence and expand incentives (preferential treatment); and
- to enhance information sharing in respect of English-speaking (or multi-lingual) services related to livelihoods, laws, accounting (finance and payment), education, real estate (housing and relocation), medicine (medical/healthcare), and others.

In particular, the key initiatives are expected to be achieved by the competent authorities through the implementation of the following:

- to prepare a special provision that grants market entrance by foreign businesses managing mainly foreign funds with simplified entry procedures
- to revise the Corporate Governance Code to encourage companies 1) to improve the quality and quantity of independent directors and 2) to ensure diversity through the promotion of women, foreign nationals, and mid-career hires; and to promote timely and appropriate corporate disclosure
- to improve the attractiveness of financial and capital markets
- to establish a "Support Network for Startups in the Financial Sector" jointly run by the public and the private sectors
- to communicate in English with applicants as new foreign asset management companies and others in terms of registration and supervision
- to grant special provision to eligibility requirements for status of residence,^{iv} newly set forth bonus points for highly-skilled foreign professionals, relax employment requirements for domestic helpers/nannies, and increase convenience for working spouses
- to promote the availability of financial administrative services in English through the use of AI multilingual translation technology and by translating remaining finance related laws and regulations
- to broaden the scope of borrowers subject to financing to include asset management companies and others therein under the credit guarantee system and Japan Finance Corporation
- to further enhance information sharing and surveying issues pertaining to livelihoods, including bi-lingual (multi-lingual) professionals,^v medical/health care, real estate (housing and relocation), and international schools
- to use subsidies granted to the local governments providing support to foreign financial businesses according to the respective needs of the businesses

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- ⁱ Bottlenecks of regulations and taxation were assessed and concluded to be lifted in anticipation of the enforcement of the 2021 Tax Reform
- ⁱⁱ Key initiatives to enhance the attractiveness of financial and capital markets are as follows: market re-classification of the Tokyo Stock Exchange (TSE) (starting April 2022); formulation of measures to prevent the recurrence of system failures; expansion of the product line on the Comprehensive Exchange; commencement of holiday trading on the Osaka Exchange; review of "best-execution policy" for order execution on exchanges and private trading systems; review of regulations for firewalls between banking and securities businesses; improvement of the environment for issuing security token offerings (STO); elasticity in eligibility requirements for professional investors toward their trade activation; issuance of shares by unlisted companies and revitalization of secondary markets; smooth supply of funds (facilitation of financing) through VC- and PE-funds; digitalization/integration in terms of filing financial statements, etc.
- ⁱⁱⁱ Business operators who are engaged in investment management business, investment advisory and agency business, Type II financial instruments business, and foreign businesses that manage mainly foreign funds that are permitted to enter under the special provisions newly set forth.
- ^{iv} Implement a special measure (exception) for the granting of status of residence so that a business operator can commence business after entering the country with the status of residence of "temporary visitor" without having to return home
- ^v Attorneys at law, judicial scriveners (shiho-shoshi lawyers), certified administrative procedures legal specialists, and tax accountants involved in supporting start-ups.