“Tokyo and the contest for prominence among Asian financial centers”

for Financial Statements series

Peterson Institute for International Economics

October 12, 2022

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* The views expressed in this presentation are my own and not necessarily express those of the FSA.
Although the trade wars from the 1980s created the impression that the Japanese current account surplus was created by export competitiveness, it is now supported by net income.

Massive but inefficiently invested household savings in Japan provide opportunities for asset management.
For the first time since 1990, China’s output is expected to grow more slowly than the rest of Asia. (World Bank forecast, October 2022)

Huge financing gap to achieve the SDGs goal in the region, needing USD1.5 trillion investment annually by 2030. (ADB Blog, June 2021)

**GDP growth**

<table>
<thead>
<tr>
<th>Year</th>
<th>East Asia exc. China</th>
<th>China</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990</td>
<td>10%</td>
<td></td>
</tr>
<tr>
<td>1995</td>
<td>15%</td>
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<tr>
<td>2000</td>
<td>10%</td>
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<tr>
<td>2005</td>
<td>5%</td>
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<tr>
<td>2010</td>
<td>2%</td>
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<tr>
<td>2015</td>
<td>1%</td>
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<tr>
<td>2020</td>
<td>2.8%</td>
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**Annual investment requirements for Asia and the Pacific from 2016-2030**

- Clean energy and climate action: 434 US$ billion
- End poverty and hunger: 373 US$ billion
- Health and education: 296 US$ billion
- Transport, ICT, and WSS infrastructure: 196 US$ billion
- Biodiversity: 156 US$ billion
- Total: 1455 US$ billion

(Source) World Bank, Asian Development Bank
Macroeconomic background (3): US-China

- Rising global techno-nationalism and security concerns heighten US-China relations and affect cross-border investment.

(Source) The US-China investment hub, Newsweek, Bloomberg
What we need to think when thinking about a financial center during the uncertainty times:

• Resiliency over efficiency?
  ✓ Multiple financial centers in one time zone may be justified

• Beyond the economic rationales?
  ✓ The importance of political stability and the rule of law revisited

• Geopolitical perspective?
  ✓ The world may need a marketplace that matches the growing funding needs in Asia (and the rest of the world) with non-China money
Japan’s effort to be a financial hub – a government-wide policy package

Financial regulation

- **Financial Market Entry Office (FMEO)** established in January 2021: a one-stop contact point for newly entering asset managers from overseas which provides general consultation services, accepts financial licensing applications and conducts daily regulatory interaction all in English.
- New easy-entry schemes for overseas asset managers are introduced.

Taxation

- Clarification of the condition in which a fund’s carried interest be taxed as a capital gain (@20%) instead of personal income (@<55%)?
- Unlisted asset management companies can now deduct performance-based compensation from their corporate tax base.
- Regardless of the period of residence in Japan, overseas assets held by non-Japanese nationals with a valid working visa are NO longer be subject to inheritance tax for non-resident heirs.

Residential status

- Foreign financial professionals are more likely to obtain the Highly-Skilled Foreign Professional status.
- Benefits include: easier to hire nannies/helpers, spouse can work without his/her own working visa.

Financial and other supporting measures

- Financial Start-ups Support Program reimburses the set-up cost to start an asset management business in Japan up to JPY 20 million per company.
- Provide information about English-available law firms, hospitals and international school in Japan.
In order to realize the new form of capitalism I illustrated today, we need to revive Japan as an international financial center.

When I was the Chairperson of the Policy Research Council of the Liberal Democratic Party, I made decisions that helped to facilitate the entry of foreign investment managers, revive of the corporate governance code, and introduce greater flexibility in the requirements for professional investors. As Prime Minister, I will continue to lead to achieve steady progress.

Speech by Prime Minister KISHIDA Fumio at the Guildhall in London (May 5, 2022)

I have come here today to Wall Street, the center of the global economy, with this message: “Japan’s economy will continue to show growth. You can invest in Japan with confidence.”

...We now have 2,000 trillion yen in personal financial assets. Only around 10% of this is invested in stocks. In order to double asset income and enable long-term asset building for retirement, it is essential to make our small investment tax exemption system for individuals permanent.

Speech by Prime Minister KISHIDA Fumio at the NYSE (Sep 22, 2022)
### New entrants since the establishment of the FMEO

<table>
<thead>
<tr>
<th></th>
<th>Name</th>
<th>Registration Date</th>
<th>Type of License</th>
<th>From</th>
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<td>Apr. 2021</td>
<td>IAA</td>
<td>GBR</td>
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<td>Schonfeld Strategic Advisors</td>
<td>May 2021</td>
<td>IM &amp; IAA</td>
<td>USA</td>
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<td>IAA</td>
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<td>Pro-IM</td>
<td>SGP</td>
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<td>Dec. 2021</td>
<td>IAA</td>
<td>SWE</td>
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<td>Feb. 2022</td>
<td>IAA</td>
<td>HKG</td>
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<td>Sep. 2022</td>
<td>Type II</td>
<td>SWE</td>
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</tbody>
</table>

IAA: Investment Advisory and Agency Business
IM: Investment Management Business
Pro-IM: Investment Management Business for Qualified Investors
Type I: Type I Financial Instruments Business
Type II: Type II Financial Instruments Business
For more information, visit our website
“International Financial Center Japan”