

# Overview of “Promoting Japan as a Leading Asset Management Center”

- Under PM Kishida’s initiative toward a “new form of capitalism”, the government has been taking various measures to achieve a “**virtuous cycle of growth and distribution**” through an increased flow of Japan's household savings flow into productive investment.
- The government has been reaching out to **various entities in the investment chain** to encourage this move, including through:
  - I. Doubling Asset-based Income Plan**; and
  - II. Corporate governance reforms.**
- **III. Reform of Asset Management Sector and Asset Ownership** is the remaining piece for the growth of Japan’s economy and Japanese people’s asset income.

## Policy Plan for Promoting Japan as a Leading Asset Management Center (December 2023)

Ensuring customer-oriented business conduct by distributors (banks and securities companies) and advisors

### **I. Doubling Asset-based Income Plan** (November 2022)

- ✓ Stable household-based asset formation
- ✓ Expanded and permanent NISA
- ✓ Improved financial literacy

### **III. Reform of Asset Management Sector and Asset Ownership**

- ✓ Asset management sector reform
- ✓ Improved capabilities of asset owners

### **II. Action Program for Accelerating Corporate Governance Reform** (April 2023)

- ✓ Sustainable corporate growth
- ✓ Improved market functioning

## I. Reforming the Asset Management Sector

- Call for major financial groups to develop their **plans to describe their asset management business strategy, enhance their investment management capabilities and improve governance**
- Develop **principles for product governance** of asset management companies
  - Clarify the intended customers for individual financial products
  - Verify the balance between expected returns and costs/risks
- Rectify **Japan's unique business practices** and resolve **barriers to entry**
  - Encourage single-check calculation of net asset values of investment trusts
- Establish **special zones**
  - **Publish a policy package for the special zones by summer 2024**
- Introduce a new **program to assist new entrants** (Emerging Manager Program)
  - Request **financial institutions to use emerging asset managers and not to exclude them simply because their business history is short. Figure out and publish good examples of initiatives** in financial groups.
  - In "Asset Owner Principles", include a provision on the treatment of emerging asset managers in the process of fund manager selection.
  - Provide **a list of emerging asset managers (Entry List)**
  - **Deregulate** to allow asset managers to **outsource middle- and back- office operations**

## II. Reforming Asset Ownership

- **Develop “Asset Owner Principles”** by summer 2024
  - Include common principles of investment policy, governance, and risk management.
- **Reform Occupational pension funds**
  - For defined benefit pensions (DBs), promote **reviews of the selection of the investment companies entrusted** for the best interest of beneficiaries.
  - Encourage the Pension Fund Association to **improve its joint management scheme**, including **enriching service lineup** for more small-scale DBs.
  - For defined contribution pensions (DCs), **promote disclosure of information such as on investment policy and investment portfolio so that pension beneficiaries can select appropriate products.**
  - Regarding DBs and DCs, **promote disclosure of investment information in a comparable manner**, by Ministry of Health, Labour and Welfare.

## III. Promoting financing for growth and diversifying investment opportunities

- **Promote investment in start-up companies with growth potentials**
  - Develop principles for venture capital funds
  - Deregulate for investment crowdfunding
  - Promote issuance and circulation of unlisted securities
  
- **Diversify investment opportunities, including alternative investments and sustainable investments**
  - Allow partial inclusion of non-listed equities in investment trusts
  - Hold Dialogue on Enhancing Sustainability Investment Products by the end of 2023

## IV. Effective Implementation of Stewardship Activities

- Work with Tokyo Stock Exchange (TSE) to follow up on **the initiatives of planning, disclosure, and implementation by listed companies** corresponding to TSE's request "Action to Implement Management that is Conscious of Cost of Capital and Stock Price".
- Promote effective engagement efforts between institutional investors and companies, **including through a review of the large shareholding reporting rule.**

## V. Strengthening Public Relations and Communications

- **Launch an "Asset Management Forum"** in collaboration with domestic and overseas investment companies and investors. **Establish a preparatory committee for the forum by the end of 2023.**
- **Exchange opinions** with local governments and investors on the Policy Plan, and **consider further policy and measures.**