

British Embassy Tokyo

*Our contribution to the Tokyo
Metropolitan Government to Revitalize
Tokyo's Financial Sector*

September 2017



British Embassy
Tokyo

Background

Thank you to TMG taskforce for giving the British Embassy an opportunity to contribute as it considers possible actions for the next fiscal year to revitalize Tokyo's financial sector.

We are happy to engage with TMG in its efforts to deliver the Financial Services market that is:

- international, innovative and competitive;
- open and fair; and
- delivering benefits to consumers and investors.

We are keen to help further strengthen the strong tie between Tokyo and London and we have outlined a number of initiatives that could support TMG in its efforts, based on our experience, around the policy themes of:

- Fostering Alliances between UK (Global) and Japanese Educational Institutions;
- Promoting Environmental, Social and Governance (ESG) Investment
- Creating a Special Zone for e.g. AM and FinTech
- Establishing a FinTech Centre
- Developing a Foreign AM Incentive Scheme
- Setting up a Tokyo Promotional Center

Possible Tokyo Metropolitan Government Action

Possible Policy (Selected*)

Key High Priority Actions *

Foster Alliances between UK (Global) and Japanese Educational Institutions

Availability of skilled resource is vital to realizing globally competitive financial centre. We believe enhancement of the collaboration with UK will add extra value to promote Tokyo's initiatives to further foster its financial sector.

- Launch a pilot program between Tokyo Metropolitan University (“TMU”) and a university in London with a view to building a wider alliance programme with universities across the UK. UK has many universities offering leading finance and business courses e.g. Cass Business School and London School of Economics. BE Tokyo can help TMU identify a potential partner if helpful. The pilot could cover projects below.
- Set up a student exchange with opportunities for students to participate in internships in the FS sector in host country.
- Establish an exchange of professors – professors from UK would not only work with students at Tokyo universities but also collaborate on research and innovation at Japanese Fintech or Emerging Managers Program (EMP) companies. Similarly, Tokyo's TMU professors could also work with asset management professionals in UK.

Promote Environmental, Social and Governance (ESG) Investment

ESG is a growing field of the Japanese industry where TMG could help Japan become one of the global leaders. Collaboration with UK could highlight TMG's strong commitment and the openness into the agenda.

- Consider setting up London-Tokyo Green finance dialogue to discuss the new global standard to define the ‘green finance.
- Develop an ESG investment campaign to educate investors on the benefit of ESG investing.
- Require firms to disclose better data on their level of investment in ESG businesses or funds.
- Offer incentives to managers focusing on ESG including: special allocation of TMG pension funds or special networking events.
- BE Tokyo can help identify and introduce UK experts to join the panel should TMG set up an ESG award.

Tokyo Metropolitan Government Action (Continued)

Possible Policy (Selected*)

Key High Priority Actions

Create a Special Zone for e.g. AM and FinTech

Creation of a special-zone could be a way for TMG to install new initiatives while not disrupting the existing finance eco-system.

- Set a plan for a “regulatory sandbox” that allows for easier approvals on extensions of regulatory and tax deadlines, expedites the response and approval processes for inquiries, and allows certain tasks to be completed electronically in English rather than on paper in Japanese. BE Tokyo could assist TMG’s fact-finding mission to UK to identify the best practice [and introduce the Governor to the FCA Chairman later this month].
- Consider whether business tax rates for corporations and staff of particular types of business (e.g. AMs and FinTech companies) and labour flexibility is comparable with competitor countries.
- Consider the option of using English law for transactions in the special zone; English law is widely understood and applied in the field of finance and arbitration and could provide an attractive option for new entrants. BE Tokyo could co-host any initiative TMG might want, including introducing UK experts.
- Work with the FSA to make it easier to attract the right talent into Tokyo; a fast-entry system for individuals with certain qualifications or special visa exemptions could be options. BE Tokyo could assist TMG to learn from the best practice in UK if needed.

Establish a FinTech Centre

Building on the initiative by Tokyo to secure space to attract Fintech businesses, foster Fintech eco-system to provide foundation for rapid growth.

- London has a number of bodies that aims to secure necessary Fintech ecosystems, such as Level 39 and Innovate UK. BE Tokyo can facilitate engagement with London as TMG undertakes the initiatives below.
- Modeled after UK, set up a body with the responsibility to secure necessary Fintech eco-system or supportive mechanisms to enable rapid Fintech business growth in Tokyo – including legal advice, technology and cyber security, translators, admin and back office support. Invite specialists from UK to advise to the newly set up body.
- Set up a business advocacy group made up of Fintech business leaders to advise TMG, FSA and Japanese Government. The group should have a global collaboration funds to commission research to inform their advice and engage with similar organizations around the world, including UK.

Tokyo Metropolitan Government Action (Continued)

Possible Policy (Selected*)

Key High Priority Actions

Develop a Foreign AM Incentive Scheme

TMG identified Asset management as an area of focus to attract foreign companies.

- Working with FSA, consider introducing fast tracking mechanism to register foreign AM companies that is already registered in the select financial markets, e.g. UK. BE Tokyo could support Tokyo's efforts, for example, by helping them understand UK registration process and as part of its ongoing engagement with FSA.
- Consider providing certain time limited exemptions to newly set up AM firms (cf exemptions for AM firms exporting to Japan). BE Tokyo could support, for example, to understand better any regulatory cliff edge by sharing UK business experience.
- Encourage Tokyo based mega-banks to collaborate with foreign managers. This action can be brought to life offering relationship building opportunities (networking, introductions, educations sessions, etc) between the parties.
- Allocate a portion of assets under TMG's control that are dedicated to active strategies to managers with AUM less than \$500M to promote EMP. In order to enact such a change, the TMG would start undertaking internal discussion and first socialize this idea with key stakeholders. Subsequently, the TMG would need to commission an education process for internal decision makers and move towards approval.

Set up a Tokyo Promotional Center

TMG could consider setting up a body to promote Tokyo as the international financial centre.

- London has a number of public-private / private organizations with the aim of promoting London as the international financial and business centre, such as the City of London Corporation and theCityUK. BE Tokyo could facilitate closer collaboration with a view to building a formal alliance or an MoU in a specific area.
- BE Tokyo could support cascading TMG's message that sets out the advantages Tokyo has to offer, including support and exemptions available to exporters, [for example, by introducing to multipliers such as Export to Japan.]
- Consider replicating Strategic Management approach of DIT in the UK which looks to attract major investors, including by having a Government Minister dedicated to their account. BE Tokyo could support making introductions.

*Full list in the Appendix

Summary and the Next Steps

We are keen to help further strengthen the strong tie between Tokyo and London.

As a follow up to our contribution, BE Tokyo could:

- Organise and fund a TMG visit to the UK in 2017 to explore setting up a Special Zone and introducing incentive schemes to attract foreign AM firms;
- Co-host the event in 2017 on initiatives around the Special Zones, incentive schemes to attract AM firms and ESG; and
- Make introductions to the UK experts and facilitate discussions as needed on all of the initiatives outlined in this presentation and where TMG would find helpful.

We look forward to working closely with you
and welcoming you in London!