

EMP Seminar for Institutional Investors 2017 Summary

I Keynote Speech

1. Global Financial City : Tokyo

- Giving consideration to the final review of the advisory panel for Global Financial City Tokyo (※), the Tokyo Metropolitan Government (TMG), released the “Global Financial City : Tokyo” Vision to achieve the Tokyo Financial Big Bang on November 10th 2017.
- In this vision, TMG has listed “Cultivate asset management businesses” as one of our key initiatives. The asset management business holds an important role in building stable assets for the people in Tokyo and supplying risk capital to growth industries, but Japan has fewer number of asset managers compared to the global financial centers of other countries. In order to improve the quality and quantity of asset managers, TMG plans to alleviate burdens related to the middle and back office, and create opportunities for matchups between overseas asset managers and Japanese institutional investors, and introduce the Emerging Managers Program (EMP).
- EMP is a program that discovers emerging asset managers and provides funds in order to cultivate them. And this program has already been implemented in major global financial cities, but it is not familiar in Tokyo. TMG plans to create a framework called “Tokyo EMP”, which provides institutional investors with incentive to let emerging managers (EM) who own a license and do business in Tokyo handle their funds.

2. Emergence : the success of the Paris Emerging Asset Managers program

- Paris EUROPLACE is the equivalent of the City of London, and supports the development of the financial businesses in France.
- “Emergence” is the French initiative concerning EMP. It has set up a specific fund dedicated to bring seed money to emerging high value added asset management companies.
- “Emergence” responds to three objectives. One is to offer good performance to the investors which are involved in the initiatives. The second one is to contribute to develop emerging, innovative and competitive companies and consolidate the

position of the asset management pool of the Paris financial center for the future. And the third is to introduce these companies to international investors and to develop international partnerships.

II Panel Discussion 1

What is necessary for revitalizing asset management sector

➤ **The advantage of investing in EM**

- EM might outperform because they are very passionate and skillful, and work and decide in a speedy fashion.
- There are more options for investors because EM will be their asset management partner.
- Investing in EM can diversify the portfolio and bring the new revenue source opportunities. In addition, growth of asset management businesses itself will increase the return.
- Investing in EM is an incubator investment, so when the EM grows up, we can enjoy some merits including investment capacity.

➤ **The importance of EMP**

- In order to improve capital efficiency, it is necessary that many asset managers have the values of companies increase through their unique perspectives, so EMP is important as a framework that develops varieties of managers.
- In Japan, we have unique characteristics of industry which is difficult for EM to set up its business, we won't be able to diversify the asset management businesses without EMP.
- Among different approaches, EMP is one of the options for motivated managers.

➤ **The necessary for growth of EM**

- It is necessary to develop the best practice or success stories of EM, increase the number of investors who invest at the early stage, and develop the environment where EM can concentrate on investment management itself.
- In order to improve the quality of the asset managers and lead to the sustainable growth of them, it is necessary to have high quality asset owners and the investors with enough experience.

➤ **The keyword for success with EMP**

- Having a best practice is a key. If we have one top player, many people can be

followers and challenge in various perspectives, and that will create the virtuous cycle.

- EM needs to come up with a road map, and to do a certain level of preparation.
- It is important to create the investment chain that investors, asset managers, and infrastructure service providers, work closely and cultivate investment management industry deeply.

III Panel Discussion 2 EMP in other global financial center

➤ The reason for developing EMP

- Investing EM can bring more excessive return to clients. We can negotiate the management account and capacity because we invest in EM at early stage.
- EM is highly skilled professional and we can mitigate the risk in a great deal by having partnerships with gatekeepers or the seeding platform providers and so-on.

➤ The advice for TMG

- It is an extremely important factor to support the asset managers and provide them with the environment where they can focus on just investing.
- To make EMP a success, it is important to work with skilled managers and utilize the experience and knowledge of the gatekeepers.

IV Closing Address

- EMP in Japan is not only important for supporting the asset managers and developing the EM, but also important for reinforcing the ecosystem in Japan.
- The Investment Trusts Association (Japan) considers that developing the asset management business and creating new portfolio managers is the most important object.

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※ In order to reinstate Tokyo to its position as the No. 1 international financial city in Asia, this panel was established in November 2016 to uncover the broad range of issues that pose obstacles for revitalization of the financial sector and for financial companies from abroad to set up business in Japan, and to discuss thoroughgoing measures to resolve these problems. It drew up the interim review in May 2017, and the final proposal in October that year.