

**Advisory Panel for Global Financial City Tokyo (Eighth Meeting)**

**(Transcript)**

October 13, 2017

Venue: Tokyo Metropolitan Government 7<sup>th</sup> floor of Building No.1

## **1 Opening**

**Secretariat** : As our scheduled time has come, let us begin the eighth meeting of the Advisory panel for Global Financial City Tokyo. Today's schedule and discussion materials are in the tablet device.

Please find the members present today in the participant list of Material 1 and the seating chart of Material 2 in the tablet. Materials in the tablet will change automatically in line with the presentations.

We would like Mr. Saito, Chairman of the Panel to facilitate from here onward.

## **2 Meeting Minutes**

### **(1) Final Review**

**Atsushi Saito** : Yes. Let us proceed according to the agenda. Our Advisory Panel was established in last November and almost a year has passed. We have had seven meetings along the way to discuss about various topics and issues to revitalize Tokyo to shine as a global financial city.

Today, let us finalize our Review of the Advisory Panel's discussions to date based on discussions in the past seven meetings. I understand that based on this Final Review, the TMG will announce the Policy Report for "Global Financial City Tokyo" next month. First, please look at materials 3 and 4 as a Final Review of the Advisory Panel, followed by the Design of the Promotional Organization for Tokyo Financial City in material 5, both of which I would like to request Panel Member Aritomo to present. Let us now begin.

**Keiichi Aritomo** : Yes, thank you Chairman. As the Chairman mentioned, based on your opinions, together with the TMG Policy Planning Dept., we have completed the Final Review. On page 5 as a review, from the first to the fourth meetings, we have defined the "what" – what are the measures to be undertaken. We have used the SWOT analysis, discussed the vision and defined the priority measures.

From the fifth to the seventh meetings, we discussed the "How" – how to make them happen. Furthermore, we discussed what the specific issues were in undertaking them. We realize that we did not have sufficient time to discuss everything during these meetings.

Page 6 shows the framework of the investment value chain that we have used consistently from our first to the seventh meetings.

The reason why we continued to use this was to review the relationships of the various measures, how they were linked to each other and more importantly, to confirm that these measures were not for financial institutions but ultimately for the people of Japan and Tokyo citizens.

Now going on to page 7, this shows all the measures and the main parties to execute them. As you can see, there are very few measures that the TMG alone can undertake. Most measures require public and private sector cooperation.

This all sounds good but the caveat, as Governor Koike has repeatedly warned us, is NATO i.e. No Action Talk Only. Public and private sector coordination is good but it's unclear who we mean when we say public and private sector coordination.

Page 8 summarizes the contents of the measures. The requirements to improve infrastructure to support growth have been clarified.

Especially, providing government administrative and consultation services in English is already in progress. As we also try to attract overseas players and discuss with overseas asset managers, many do not know this. Thus, we also need to consider how to publicize measures already in place.

Next going on to page 9, this is about attracting financial services players and nurturing them. We have had rich discussions, including for example about the Tokyo Finance Award. This is a remarkable concept but we need to discuss and specify steps to retain highly skilled talent.

As for EMP, design of it would be very technical. Lastly, as for developing highly skilled finance professionals, it's important to not only discuss how to nurture them but also how to treat them later. Are they going to become salaried workers again or entrepreneurs? Or are they to enroll in the EMP?

On page 10, we see many buzzwords - clustering and ecosystem and regulatory sandbox. Here we discussed about creating clusters to promote innovation by using special zones. This is quite obvious but we need to clarify the scope of the sandbox. There are many lessons to be learned from the more advanced, UK.

In sum, we have had very productive discussions over the seven meetings but we still need to work on the details.

With that in mind, as you can see on page 11, as Chairman Hirano mentioned last time, "start small and grow large", continuing the momentum and further increasing transparency as we proceed are important.

And, the "How" part. We're still working on this and the design needs to be drawn with public and private sector coordination and finally, execution.

Thus, as you can see on the second page, the "What" and "How" are not sufficient and as we have discussed in the Advisory Panel for Global Financial City Tokyo, execution is key to make Tokyo a global financial city.

Next, allow me to continue to explain, jumping to page 40. Let us discuss about what public and private sector coordination means.

As you are well aware, we have proposed many measures, some that still require designing, followed by execution. During the sixth meeting, we discussed about the need to establish a dedicated promotional body by looking at examples from major cities overseas in the UK, Paris and Frankfurt. If we linked this with public and private sector coordination, how would this work together is what I would like us to discuss next.

On page 42, this is from the materials we used in the 6<sup>th</sup> meeting where Jonathan B. Kindred and I presented to discuss about the five important roles.

We explained that the promotional body should assume marketing, business promotion, incubation of financial services, making recommendations and execution of these measures to become a driving force to develop Tokyo as a global financial city.

In addition to make this happen, page 43 shows the necessary coordination among the associations that our panel members are from, the TMG, the FSA and JETRO, which we have discussed in our sixth meeting.

This is the basic organization structure of the promotion body. On page 44, many measures need to be executed by the private sector and the TMG, while this promotional body can encourage them.

While it may be difficult to assume all measures, some measures can be undertaken by the promotional body.

On the other hand, there are details, i.e. defining its functions that need to be nailed down for this promotional body - Tokyo version. What are the functions of this organization and how should it be governed, how to design public and private sector coordination, and how to run it. Moreover, how to fund these operations need to be considered. We're at the "step" of the hop, step, and jump process of designing the specifics of this promotional body which needs to be completed. Thereafter, let us aim to make this organization the driving force to materialize the measures to develop Tokyo as a global financial city. This concludes my explanation.

**Atsushi Saito** : Yes, thank you. I believe that the Final Review contains most of the recommended measures and we have already received your feedback in advance. We will have time to further discuss later if necessary. Please leave it up to me to make any modifications to these materials. With that, I would like to make this our Final Review. Would that be all right with everyone? Thank you and we shall proceed accordingly.

The Governor will be leaving us shortly but before that, I would like the Governor to have some words with respect to policies and determination, etc. toward the compilation of the Final Policy Report given the formulation of the Advisory Panel's Final Review.

**Yuriko Koike** : Everyone, it has been about an year that we have been together - thank you for your energetic discussions and summarizing them. I would like to once again take this opportunity to extend my appreciation. What can we do and what do we need to do to revitalize Tokyo as a global financial city? And, what is necessary for sustainable growth and development? Japan has resources: talent, goods, capital and information, all concentrated in Tokyo. I believe we've discussed how to utilize them and how Tokyo can become the power to lead Japan. You have made detailed reviews for us. Once again, I would like to appreciate for your endeavors.

Based on your Final Review, the TMG will be going to announce the Tokyo Financial Big Bang next month. We will earnestly work on to compile the report and keep you informed as much as possible. In the Final Policy Report, there are five major measures and I would like to explain thoughts on how these actions shall be implemented further.

First, about the public and private jointly-led promotional body to conduct promotion overseas, and which had been discussed in the Advisory Panel meetings. We have received cooperative comments from you on the promotional body. The TMG would like to roll up our sleeves with all related parties and strike while the panel's iron is hot.

With commitment from both the public and private sectors, the organization needs to be competitive with London and Singapore. Also, for this organization's activities to be sustainable, funding can be somehow done together, and putting aside the size of it for now, I believe it is necessary to enable this organization to move forward.

The organization's structure, activities and operations need to be further discussed but with everyone's experience and wisdom, I believe we could fill in the details. In addition to this organization as the major force, the TMG has already executed measures such as the accelerator program, and would like to expand and develop such efforts.

In addition, as announced earlier, I will be making a business trip to Singapore next month. I have been invited by the Lee Kuan Yew Institute Foundation. As part of it, I will have a chance to meet with global investors and will communicate Tokyo's attractiveness as a global financial city to attract foreign financial firms.

Second, the establishment of the Tokyo Financial Award as you have proposed. The TMG has already established a business proposal system for Tokyo citizens, and the award will be the financial version of this proposal system.

I would like to create the Award for companies that utilize financial services to solve Tokyo citizens' needs, the TMG's issues and spreading ESG investments that is becoming a global trend. We would like to establish the Tokyo Financial Award during the next fiscal year not only for Japanese companies but for foreign as well, and would like many companies to make entries. I would like to make this Award to become a symbol for Tokyo as a global financial city.

Third is the introduction of the emerging asset manager program (EMP), where institutional investors nurture young asset managers. This will also be introduced in Tokyo, following Singapore's example to energize Japan's asset management industry which in turn would lead to Tokyo's economic development.

This will be the Japan's first EMP. While we have a tendency not to take risks, I would like to promote this measure to drastically change Japan's paradigm related to finance. To do this, I would like to conduct a seminar inviting related parties this fiscal year to increase the awareness of EMP. Next year, while increasing its awareness, I would like to establish the Tokyo's version of EMP with those institutional investors that concur with us. This was the third.

Fourth, about reducing tax burden. As a measure to reduce corporate tax to promote asset managers and FinTech firms entering Tokyo, with the TMG's efforts on approaching the government, a request for tax reform that utilizes the national strategic zone for FY2018 has been submitted from the Cabinet Office to the Finance Ministry. I used to be the member of the Research Commission on the Tax System, and I believe this is a clear step forward. I would like to continue to proceed with such efforts so the request will receive higher evaluation and realize the measure.

In the U.S., the Trump Administration has announced to reduce corporate taxes to 20%, and France Macron Administration to 25%. Hong Kong said they will reduce to 8%. It is challenging to compete and win attracting foreign firms but I believe that this is precisely the issue that the TMG needs to coordinate with the national government and would like to make further progress speedily.

Lastly, the fifth is the first action based on opinions from the Advisory Panel and is a new measure that I would like to announce. We have received various recommendations from Sir Roger and the UK Embassy during the Advisory Panel. We are planning to sign an MOU (Memorandum of Understanding) to further the cooperation between the City of London and the TMG on financial area.

Specifically, we are considering coordination in holding financial events, financial education programs, green finance, ESG investments and promotional activities. Details will be completed as soon as possible. We would like to have the signing ceremony next month.

Sir Roger has participated in this Panel through video conferences and once, in person. We will further our coordination with the City of London. Chairman Saito, it is my great pleasure to say that all the discussions made in the Advisory Panel meetings will come to fruition soon.

Today is the final meeting of the Advisory Panel but I would like to request for your continued cooperation so that the many discussions made in the Advisory Panel and measures which will be written in the final policy report will not become NATO, i.e. No Action Talk Only. We need to take action and work on together with you. Thank you for your attention.

**Atsushi Saito** : Thank you. Now, let us view a video message from Charles Bowman, the 690th Lord Mayor of the City of London, as it pertains to the MOU with the City of London just mentioned.

**Charles Bowman** : Governor, colleagues, ladies and gentlemen.

Thank you very much for this opportunity to speak to you.

My name is Charles Bowman and I have recently been elected as the next Lord Mayor of London, taking office on Friday 10<sup>th</sup> November – and I am very excited to be taking on this role at such a time of change and uncertainty in the world.

This is the position, as you know, that Sir Roger Gifford undertook a few years ago and he is sorry not to be able to join this call, and give this message himself today. He is in Washington at the World Bank meetings, presenting a seminar on Green Finance.

As someone who has worked in the London markets for the last 30 years, I greatly welcome the ambition and commitment of this Panel to make Tokyo a global financial centre, to encourage more firms to establish in Tokyo and add their expertise and ideas.

We see the seriousness with which you are looking at this issue and commend the political leadership that has been shown.

The UK is a long-standing friend of Japan's, and the ties between London and Tokyo are deep and important. So as Lord Mayor of London I will be keen to help in any way I can.

I therefore very much welcome your idea of a memorandum of understanding between Tokyo Metropolitan Government and the City of London Corporation. We believe that deeper cooperation will be of mutual benefit for Tokyo and London. Our experience is that working together in financial services is that it is not a net sum game. Very often, 2 plus 2 comes to 5 or more as greater capital volume flows result and new businesses are created.

This feels particularly relevant in the areas of digital technology and new ways of distributing and marketing financial products. Green finance is another.

I know you have a particular interest in collaborating on education, ESG investment, on joint events and on promotional activities. This is very welcome to us.

On our side we would like our future cooperation to be even more wide-ranging, and for the MOU to allow for this in areas such as market access. As you may well know, the City of London is the major sponsor of CityUK which has recently announced the formation of a UK-Japan Access Markets Group which we welcome.

I very much hope that we can finalise and sign the MoU next month and then focus on the real work - our new and deeper cooperation.

I hope both Roger and I will be able to join you at the signing ceremony by video, and look forward to meeting you then. I also greatly look forwards to visiting Japan next May and to furthering the aims of the MoU then.

Thank you very much indeed and may I say

GAM-BAR-I-MA-SHO.

Thank you very much.

**Atsushi Saito** : Yes, thank you. An alliance with the City of London will greatly contribute to making Tokyo a global financial city and I look forward to the partnership agreement and the specific actions going forward.

The Governor will leave now as she is busy. Thank you, Governor.

**Yuriko Koike** : Everyone, thank you very much. Mr. Charles Bowman, elected as the next 690th Lord Mayor of the City of London joined us from London. Thank you very much. Ms. Kawamoto, where are you?

**Yuko Kawamoto** : I'm in London.

**Yuriko Koike** : Oh, yes, thank you.

**Yuko Kawamoto** : It is morning in London.

**Yuriko Koike** : Yes – is your jet lag ok? Thank you – and Mr. Taniya, where are you?

**Mamoru Taniya** : I'm in Malaysia.

**Yuriko Koike** : Malaysia – really, everyone is active globally, and we have been able to receive so much wisdom and intelligence from all during the eight meetings. I deeply appreciate that. Making the collaboration with the City of London a starting point, I would like to revitalize Tokyo as a global financial city. Therefore, I would like to request for your continued cooperation. Please also advise us on the Tokyo Financial Award. Thank you very much.

**All** : Thank you.

**Atsushi Saito** : Now, let us exchange our opinions – freely. I would like to receive your comments on the promotional body as mentioned earlier. This is something that needs to be further discussed, especially about how to implement this.

The time is now 4:06pm. We have until 4:55pm and would welcome opinions from London and Malaysia too. Please, freely, anyone. On how to establish the promotional body. We might want Figure 5 we've seen earlier on the screen. Please.

**Jonathan B. Kindred** : Thank you Saito-san. There were five items that were referenced by Aritomo-san at the end of the presentation on the promotion authority, which basically encapsulate the required next steps. I think it's quite important to take advantage of the detailed discussion we've had, and the development of this conceptual outline for this organization, to move quickly and expeditiously and with some sense of urgency to tackle the next steps to make the decisions surrounding those items and then to move forward with implementation. I think that this body can be an excellent forum for moving a variety of the initiatives that we've discussed over the past year forward, and the sooner it is established with an appropriate leadership and governance structure will enable it to function most effectively in actually executing and taking actions as we have been encouraged to do. So, I just wanted to put that thought forward. Thank you.

**Atsushi Saito** : Thank you very much, Jon. Do we have any others? Mr. Sayama, please.

**Nobuo Sayama** : Perhaps, I may have missed it but what is the timing of execution, i.e. what needs to be done by when? Maybe it's something, time schedule, is to be discussed later. If so, that's fine.

**Atsushi Saito** : Well, um...

**Nobuo Sayama** : I was just interested, you know, in your thinking ...

**Atsushi Saito** : So we're currently at the stage of "what we have discussed so far" as the Governor just summarized in the five items. The review will be passed over to the TMG and they will then make their report next month.

But, the issue is that many governors and others in the past have taken various measures but no follow ups were made. What we need to be mindful is that, therefore, it is not sufficient only to finalize the discussions but to ensure that a promotional body is established and that we together carry through.

**Nobuo Sayama** : So it will be determined then.

**Atsushi Saito** : Yes, that's right.

**Nobuo Sayama** : And one more thing – if I may request, I would like to know the final image, i.e. what we want it to look like. I'm hoping that will also be decided then?

**Atsushi Saito** : Yes, that's right. Yes, yes.

**Nobuo Sayama** : Yes, that's all.

**Atsushi Saito** : Yes. Figure 5 – establishing the promotional body. I would like commitments from each organization. Mr. Hirano, what do you think?

**Nobuyuki Hirano** : I believe that the concept of a proposed promotional body is in line with the Growth Strategy 2017. As mentioned by the Governor already, this is a good idea not only for Tokyo but also for the entire Japanese economy. As such, the banking industry and Japanese Bankers Association would like to support it.

Up to date, as mentioned, the discussion on this panel has been focused on concept design. The Governor mentioned that action is now required and I agree with it. Mr. Kindred also used the word, “expeditiously” and I totally agree because the substance hasn't really been discussed yet. Promotion is about promoting something and if we don't have things to sell in our bag, we cannot sell anything.

So, I think the plan that the Governor will visit Singapore to communicate our message is very good. The coming Lord Mayor mentioned in his video message that he is attending the events at the general assembly of the World Bank. Likewise, I think it would be meaningful to announce at such kind of event that believe that we will form the promotional body. At the same time, it is important to expeditiously decide on the contents.

We have two pillars, asset management and FinTech. As I have mentioned in the last meeting, I believe both are appropriate measures. Now, we need to consider how to implement each one.

Regarding asset management, I brought some materials in the last meeting but did not have sufficient time to explain so would like to quickly go through. The blueprint is to bring in asset managers and sales functions of foreign asset managers so that investment management for the 1,800 trillion yen assets could be diversified and upgraded. In other words, first step would be to promote imports of financial products.

Next, if things go well, next step would be to bring fund management functions to Tokyo and have them compete with incumbent Japanese firms. Through competition, creating Japan's or Asia's asset class and then supplying those assets globally would be the business model. In short, the idea is to start from sales, then move on to production and finally to export of financial products.

If this would work well and asset management firms grow, related financial services could follow. For example, market transactions or so called sales and trading in foreign exchange, derivatives, rates, or equities, and asset management business and investors services will also grow. These industries are very important but not sufficiently acknowledged in Japan yet.

Having reached that point, I believe that Tokyo can become a global financial city with asset management being one of the pillars. This is what I meant by "start small and grow large".

As for FinTech, it's important not only to nurture Japanese FinTech companies but also to introduce advanced FinTech initiatives from abroad. I've been discussing this with Mr. Kariyazono and we think this portion is missing.

If many foreign FinTech companies enter into Tokyo market, Japanese FinTech companies and startups will be significantly vitalized and network will be created among them. Ultimately, Japanese FinTech firms can be expected to go abroad similar to asset management as discussed earlier. I think developing a strategy for each step is required.

Financial education is a distinct item. This is also a big theme for Japanese Bankers Association and now, we are collaborating with the Bank of Japan, Japan Securities Dealers Association and the insurance industry in order to create common educational materials across the financial industry.

In addition, the review of the high school education instruction guidelines will be conducted and we are considering how we can collaborate. As for the TMG, perhaps a special zone concept can be utilized in a ward or city specializing in financial and economic education.

In summary, a promotional body is important and we, as Japanese Bankers Association, will continue to support TMG's initiatives but at the same time expect to make progress in elaborating the various measures and filling in the details.

As mentioned earlier, the concept of Tokyo as a global financial city has been discussed many times without any significant results. Reflecting upon this, while speed is important, I believe it is also necessary to firmly and steadily undertake each measure.

**Atsushi Saito** : Thank you. I think we have just heard a very clear design. I fully agree that we have discussed asset management, FinTech and EMP as topics but have not discussed about process and details. From a global asset management perspective, Japan's funds of some 17 -18 trillion dollars is very sweet and foreigners would like to come.

So, they would be interested in sales. The other day Mr. Aritomo and the Australian Minister for Finance along with Australian asset managers are visiting Japan. I think about 20 people came. I mentioned about this and they said that they are interested to in coming to Japan. Their purpose, obviously, was to "sell own products".

I think so too. As you've mentioned, as a next step, ask them to manage funds in Japan. Mr. Hirano, I think it is a grateful thing that the banking industry is committing themselves in these matters. I think what needs to be taken place for the Japanese is to change notion of a certain group with vested interests which strongly resists foreigners coming to sell in Japan.

Today, we have Mr. Ishikuro from the Japan Securities Dealers Association and I would like the Japan Securities Dealers Association to somehow cooperate with us. We unfortunately don't have anyone representing the asset management industry, which would be in direct facing matters what we are discussing, and I almost feel as if it is done deliberately, but we will also need the FSA as policy administrators involved too and work out the details.

And if the structure is created, the flow will be processed smoothly, but it is difficult to successfully execute the first step, so we would like to work together in the promotion. What does the Japan Securities Dealers Association think about this?

**Atsushi Ishikuro** : Thank you for giving me the opportunity to speak. Since our chairman Suzuki is absent, I am taking his place today. As to the point Chairman Saito mentioned, I believe Suzuki has mentioned about this at the previous meeting of this panel. Shown in this promotional body formation page, I believe that it is very important for each party to collaborate and powerfully promote tasks while looking at the big picture.

From this standpoint, the proposed measure to establish a promotional body with public and private coordination is very valuable and we would like to give full support to the cause in our capacity.

In the last meeting, we have mentioned about our Japan Securities Summit, an annual promotion event about the Japanese capital market overseas that we have been conducting from 2008. I think our experience would also contribute to the promotional body.

Also, as Chairman Hirano of Japanese Bankers Association discussed earlier, financial education is something that the securities industry has also undertaken independently and we are also spreading this across the financial industry through collaboration and coordination. We would like to continue to make such efforts.

I understand that the details will follow. We would like to continue to discuss how we would be able to contribute in what areas. While we are an association for brokers, we would like to cooperate as much as possible.

**Atsushi Saito** : Thank you. Yes, please.

**Haruo Shimada** : Under the leadership of Chairman Saito, I think this panel over the year, has extensively discussed almost fully on various topics as Mr. Aritomo mentioned earlier.

As Mr. Hirano just mentioned, implementation will be conducted by the promotional body. A promotional body however, like a truck needs to load goods, contents to promote. Are the goods fully loaded? I'm interested in knowing how this would be done.

Then, we were told that the Advisory Panel with subject matter experts will address all the issues and in another month or so and that the TMG people will finalize.

After that would be the promotional body. Promotion is very heavy workload. These are not discussions and require heavy work to change Tokyo. Thus, as we have seen the organizational structure, all related industries need to be involved and as Mr. Hirano mentioned earlier, are there enough contents when we turn on our engines to proceed?

Then, Governor Koike has remarkably outlined in the five points, what needs to be done. One needs political power to narrow down these items and subject matter experts cannot choose on their own. With the Governor's political leadership, five have been selected.

As we have discussed repeatedly, can we really execute? I think it is important to ensure the details. There's only one more month and I was thinking it might be difficult to decide who does what.

In a separate note, I believe cooperation with London is wonderful. I did not think this would become one of the major items. Governor Koike, who is internationally-minded, has clearly mentioned and I believe this will catch attention from the world.

I also think the UK will also be very enthusiastic about this because of Brexit. They may be concerned that many Japanese companies will be leaving London. The world will be interested in the partnership of Tokyo and London and the UK will be enthusiastic. It is always easier when the partners are eager.

Japan still has a lot to learn from London and I fully agree with this. In the future, if one or two other major cities in addition to London can cooperate, it would be even better. One other question I have for Chairman Saito is to what extent can discussions be summarized to a practical level for execution with priorities in the remaining month?

**Atsushi Saito** : Yes. It may not be perfect but as Mr. Aritomo explained earlier, we'll begin from the "what". So, we now know Japan's current status, we've analyzed Tokyo and identified the issues. Next, we would need to know how to become more competitive.

So as for contents, we already have completed the "what" and coming closer with the "how". As Mr. Shimada pointed out, it is taking more time to consider the "how" than we originally expected due to time constraints. If we were to proceed further with the "how" for example, the promotional body will require funds.

Thus, it is easy to draw a picture but it becomes more complex when we need to decide who pays for what and how to maintain operating fees. Typically, the intent is supported but the money is not. As you are well aware, in Japan, many issues were recommended but politically there has been resistance from those with vested interests.

We've seen repeats of this and the Governor is thinking of a breakthrough. So, I think we already know what needs to be done.

The more important issue is the “how”. The “how” part becomes conceptual and everyone agrees in general. However, when it comes to the specifics, “what will you be doing and how?” things will start to collapse since people start saying, “No, I’m not doing that.”

Thus, for our Advisory Panel which finishes with 8 meetings, we need to utilize this promotional body. This is something that needs to be done with the TMG, as the TMG will be in charge of it. Yes, please.

**Yuko Kawamoto** : Excuse me.

**Atsushi Saito** : Just a moment please – will get to you shortly.

**Haruo Shimada** : One word please.

**Atsushi Saito** : Uuuh.

**Yuko Kawamoto** : Yes.

**Atsushi Saito** : Yes, yes.

**Haruo Shimada** : I understand what Mr. Saito is saying. I fully concur that the “what” part has been discussed thoroughly. As for the “how” part, is the promotional body doing that or would an executive group be formed next month in relation to the TMG’s report?

**Atsushi Saito** : Not sure until we start doing it.

**Haruo Shimada** : Ok. So it’s, let’s see what happens.

**Atsushi Saito** : Honestly, we will never know until we try, so let's see. Ms. Kawamoto, please.

**Yuko Kawamoto** : Thank you. As for the promotional body, could we possibly decide on a Mayor? Unless we have a leader, an organization cannot operate. I'd like to say that we should decide on a leader and get a budget.

Also, as far as the content of Tokyo as a global financial city is concerned, I am very glad if the following will be taken care of. A big threat for finance industry is currently cybersecurity. Collaboration and information sharing between the public and private sector is very important in cybersecurity area. I think it is a good practice to work with the UK that is more advanced in this area.

For example, between the public and private sector, there is very little incentive to share information for the private sector to report incidents. While there is no legal reporting requirement in Japan, it would be good if we could create an information sharing system which the private sector have some incentive to do so. CIRT (Cyber Incident Response Team) differs among nations but we could learn ways from the UK or it could be the US, to report them while reducing reputation risk. I would like you to consider such issues as well.

**Atsushi Saito** : Thank you. Yes, please, yes. Mr. Kariyazono.

**Soichi Kariyazono** : As for the Japan Venture Capital Association, we would like to contribute in the areas especially for the C FinTech and networking for the TMG's innovation, and creating an ecosystem. When building an ecosystem, what I think is important is that we have participants across industries not only from FinTech.

I think business models will be synergistic – for example, “FinTech and XX”. The Japan Venture Capital Association now has 100 members, doubling in the last two years. Many are corporate venture capital (CVC). We see manufacturers, IoT and FinTech, and health care and FinTech. I have noticed that many firms are looking to create businesses across industries.

Within this framework, we have been questioning about the participants, entrepreneurs, and what the contents are. Contents are obviously produced by venture capital and to a certain extent, by accelerators and incubators. As for FinTech however, for scalability, open innovation with corporates is necessary.

As such, for promotion, development, organization and also for the ecosystem, it is critical to expand our horizon from “finance” to cross-industry. I look forward to CVCs and open innovation participating. Since many of Japan Venture Capital Association’s members are CVCs, we believe we can be helpful there.

**Atsushi Saito** : Thank you for raising a very important point. We’ve been discussing about finance here but in Japan as you have mentioned, there has been a lack of CVC and venture capital. This has damaged Japanese firms’ competitiveness and METI has finally begun to promote CVCs. With that and the TMG’s involvement in FinTech, this may greatly change how companies are run in Japan.

Since this is expanding in to an extremely wide theme, we need Mr. Kariyazono’s cooperation and as Mr. Hirano mentioned earlier, I really think that it is necessary to bring in FinTech from abroad.

FinTech has not originated in Japan. However, Japan is very interesting country. Although Japanese haven't originated it, they study it and bring it to Japan, and create it in own way. And, they believe that "this is great." Japan has had some successes in the past using this approach but have also lost significantly in reality. I see more cases of failures recently.

Contrary to our belief, very few are originated in Japan. Someone starts saying "No, I'm the one who thought of it". For example, it is said that Bitcoin was developed by Japanese but it has not been publicized as a research paper and as a result, was started abroad. Some talented person goes abroad and studies it, and says that it is Japanese idea. I think it's probably better to do something created in overseas together with them. I believe Japan lacks this approach.

I believe that it would be excellent if the TMG could take leadership in this regard. I sincerely hope we could work together with Mr. Kariyazono and the Japanese Bankers Association. As for what Ms, Kawamoto was saying about picking a leader, I totally agree. Ms. Kawamoto, would you be interested in becoming the leader?

**Yuko Kawamoto :** Well, not sure. Everyone, please think about it and take leadership. Anyways it is great if Tokyo could take leadership in this matter.

**Jesper Koll :** These are all linked and I believe an organization has objectives. It's about what is going to be promoted. Thus, from my perspective, about deciding on a CEO or COO, I think what's more important is about governance, i.e. how is the organization going to be run.

Who is the advisory board? Apologies I sound like a foreigner but we don't want revolving door of government officials. We would like someone with management expertise, with vision. This means having an advisory team or executive director and this in turn, translates to how is the organization going to be run?

I think the Japanese are very good at operations. From a foreigner's point of view, however, Japan is weak in corporate governance.

So, to give you an example. What would the membership look like? Is it going to be like the Keidanren's (the Japan Business Federation's) model or the Keizai Doyukai's (the Japan Association of corporate executives') model? Are we having friends or professional managers? What form of governance do we want?

Once the governance structure is established, then comes leadership, select the leader, CEO, COO. I think governance is important. My recommendation is for the Advisory Panel to become the founding advisory board.

**Atsushi Saito** : Yes, please.

**Yuko Kawamoto** : Mr. Saito. Apologies – I need to leave now.

**Atsushi Saito** : Yes, yes.

**Yuko Kawamoto** : It's 8:30 am in London now.

**Atsushi Saito** : Oh, sorry. Thank you for attending. Please.

**Toru Suda** : This is similar to what was said now, but when we talk about establishing a promotional body, this means there are many organizations involved. This is not only about money but also about requesting various organizations to provide people and conflicts of interest always arise.

Thus, as was said, it is of prime importance to decide on the governance structure to coordinate diverse interests. Once this I done, a leader, strong leadership and governance, this is the key point. Organizations will probably be willing to provide some funds. The issue is having them to provide people.

**Atsushi Saito** : Yes, that is so true. It's about human resource, capital, governance and leadership. This is what we talk about at the table but we need someone to say, "I'll do that" or else nothing will happen. Or, laws can be drafted; although we cannot do that here. It is the law that can "break" and change the situation. Let me share my experience. It is the law that has the power to enforce. Usually without them, we always have backlashes and stagnate. This (resistance to change) is very strong in this industry, in Japan. I really know this. We need money. We need governance. Yes, leadership is required. These are all the "hows". And "who?"

**Jesper Koll** : Who are you!

**Atsushi Saito** : We need solutions to governance and leadership, a leader. As Mr. Shimada said, since we are short of time, we should vigorously find a leader, together with the TMG. The Governor may have relationships and we'll also provide candidate names but I'm thinking to have the TMG involved and the Governor can make the final decision.

**Haruo Shimada** : So, it would be a political decision.

**Atsushi Saito** : Yes, yes. Any others? Mr. Taniya, would be the last to comment?

**Mamoru Taniya** : Yes...then me, Taniya.

**Atsushi Saito** : Yes.

**Mamoru Taniya** : Yes. Everyone, as Mr. Saito said, who the leader is important. What I was impressed recently is that in India, the system "Aadhaar" similar to My Number (similar to social security no), advanced by using iris and fingerprints as you may all know.

The Co-founder of Infosys said that if he is given full authority with leadership, he will take care of everything. Now, more than 1 billion people that are already registered under this system, similar to Japan's My Number. The situation is very different from Japanese My Number's situation.

This authentication system is compatible with FinTech. Like the example above in India, I think it would be good to have a leader who has succeeded in running a company, a foreigner or a young entrepreneur. Particularly it's very important to have a leader who is proficient in technology.

**Atsushi Saito** : Yes, thank you. I don't think we can decide on the leader immediately. If you have any ideas or views on the "who", please provide them to the Secretariat. We can think and discuss with the TMG, and as I have repeatedly been saying, since I think the final decision rests with the Governor, we can provide her with relevant information.

### **3 Closing**

**Atsushi Saito** : Are we all right with the discussions for today? We still have 10 minutes left but over the 8 meetings we have had heated discussions. Initially, the Governor told me “How about this?” I honestly told her, “everyone has already thought about this but this cannot be achieved”.

Then, there was no contact from her for about a month. Then, she said that she would still like to pursue it. Since we said we’ll do it, we need to achieve it but without all of you, and especially the TMG’s staff members, the Office of the Governor of Policy Planning, who were very dedicated. Mr. Aritomo and those involved have also worked extremely hard. Since we all have done so much over the past year, I would like to have at least one or two of what we have proposed to be executed. I count on your continued support. Thank you very much.

**All** : Thank you.

(End of the minutes)