

Advisory Panel for Global Financial City Tokyo (Sixth Meeting)

(Transcript)

July 11, 2017

Venue: Tokyo Metropolitan Government 7th floor of Building No.1

1 Opening

Secretariat: As our scheduled time has come, let us begin the sixth meeting of the Advisory Panel for Global Financial City Tokyo. Thank you very much for assembling today despite your busy schedules.

First of all, there are new members attending today. Let us introduce them. These changes of members are due to the changes in chairman of each association, the Japanese Bankers Association, the Japan Investment Advisers Association and the Japan Securities Dealers Association. Please welcome Mr. Nobuyuki Hirano of the Japanese Bankers Association, Mr. Akiyoshi Oba of the Japan Investment Advisers Association and Mr. Shigeharu Suzuki of the Japan Securities Dealers Association.

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.

Now, to begin this meeting, we will have some words from Governor Koike.

2 Address by the Governor of Tokyo

Yuriko Koike: Hello everyone. Once again, allow me to take this opportunity to extend my appreciation to you all for participating in the Advisory Panel for Global Financial City Tokyo. Today's meeting marks the sixth session and, I would like to thank our new members, Messrs. Suzuki, Oba and Hirano for attending the Advisory Panel. And as usual, Sir Roger joins us from London. Thank you very much for your participation from London. We will hear from him from time to time.

Last month, we have announced the Interim Report on Policy for "Global Financial City Tokyo." While giving consideration to the Interim Review presented by the panel, we have created this Interim Report.. We are grateful of presentations by our members and significant advices everyone has made. Referring to the advisory panel discussions, we are going to consider the issues and methods to execute the specific measures identified in the Interim Report. And, by developing these contents with substance, in this fall, we will announce the final policy report, the so-called "Tokyo Financial Big Bang".

I would like to receive everyone's opinions to make the Final Report meaningful, leading to specific actions.

We heard that advancement of electronic settlement is happening rapidly around the world. For example, in India, large denomination bills were abolished, and this has caused significant changes. And, the situations in China are also surprising. I was most surprised when I heard that the Masai tribe also uses electronic settlements as they jump around. The world is indeed progressing at a rapid pace. Under such circumstances, since Tokyo needs to play a leading role, we would like to receive your opinions as we continue to finalize our policy report. I look forward to today's panel.

Secretariat: Thank you, Governor. Chairman Saito will now facilitate this panel.

3 Meeting Minutes

(1) Report: Interim Report on Policy for “Global Financial City Tokyo”

Atsushi Saito: Let us proceed according to our agenda. First, after the compilation of the Interim Review of the Advisory Panel’s Discussions, the TMG has announced the Interim Report on Policy for “Global Financial City Tokyo” on June 9. Please see Material 3. You may have already read this but could the Secretariat provide us some explanation please?

Secretariat: We have received many proposals and recommendations from the five advisory panel discussions held so far, and the Interim Review was then compiled and presented at the previous advisory panel in May. After the compilation of the Interim Review, the TMG has addressed the Interim Report on Policy for “Global Financial City Tokyo” on June 9, and indicated the future course of action the TMG may take.

Many of the specific measures mentioned in this Interim Report were made referring to the proposals by advisory panel members in the Interim Review. We would like to take this opportunity to once again express appreciation for your support.

The material you see now is an outline consists of about 5 pages, followed by the main body. It would be grateful if you could take a moment later to read it at your convenience, but for now, let me provide a brief overview as we look at the table of contents.

First, Chapter 1 provides the introduction explaining about the background of the discussions. Chapter 2 explains Tokyo’s visions for global financial city. Based on that, Chapter 3 describes specific measures which are divided into three areas. The first is on creating attractive business and living environment. The second is about nurturing players in the Tokyo market, and the third is contributing to solving social issues through financial methods. This is in alignment with the Memo of the Chair presented at the first meeting of the Advisory Panel. Chapter 4 is on the future course of action in formulating the final policy report with a glossary at the end. The Interim Report consists of a total of 16 pages. As for the contents, I will provide an overview using the outline slides.

The first slide provides an introduction giving the background of the initiatives. Revitalizing finance is the core growth strategy of Tokyo. As global competition intensifies, we need to develop specific actions with a sense of urgency as this may be Tokyo's last opportunity to become financial city. These backgrounds were addressed upon many occasions by our panel members.

The next slide is Chapter 2 pertaining to Tokyo's visions for global financial city organized in four pillars. Firstly, Tokyo to become a global financial city that serves as Asia's financial hub. Secondly, to attract financial talent, funds, information, and technology. Thirdly, to focus on asset management and FinTech. And, lastly, to contribute to solving social issues. We believe we have been consistent with the four visions addressed in the Interim Review of the Advisory Panel.

In order to realize these four visions, we need to cooperate with the national government and related private organizations and take specific measures. We have organized these measures into the three areas as described in Chapter 3.

From the next slide, it introduces our concept of the three areas. First is on creating attractive business and living environment. (1) deals with considering reduction of tax burden as discussed many times at the panel. In order to encourage new entries of both domestic and overseas financial companies, particularly asset management and FinTech firms, Tokyo will start contemplating from things TMG can take in hand, such as considering the reduction of two metropolitan taxes on corporates. We will also work with the central government on matters related to tax such as reviewing the inheritance tax system, which many advisory panel members have indicated.

Next, (2) is about enhancing the consultation system and English services for financial business-related administrative services. In April, the TMG has established the Financial One-Stop Support Service. By collaborating with the FSA, we will enhance the consultation services further and realize “fast-entry system,” which expedites financial business registration procedures for overseas financial companies. Item ii) is about preparing an English guidebook on procedures needed for registration / licensing as a financial business.

This will be complied with FSA’s cooperation, and it will be supervised by the FSA.

Finally, we would also like to start accepting English applications to increase the convenience of the Tokyo One-Stop Business Establishment Center.

(3) is about creating a living environment where foreign financial professionals can work comfortably. By utilizing the national strategic special zone scheme, we would like to make improvements in medical and educational areas, and promote “living close to work” projects, and support the use of housekeepers.

The next slide shows the second specific measure on nurturing players in the Tokyo market. (1) is about attracting overseas financial companies. We have set the goal of attracting 40 foreign financial companies over the next four years. In order to achieve this, we will offer free consulting and engage in overseas promotional activities involving both public and private sectors as written in item ii). As these measures materialize and proceed, we would also like to consider other initiatives such as organizing a promotional body that consists of public and private sectors. Panel Member Mr. Aritomo will be giving us a presentation about this later today. Today is the kick-off day and further discussions are to follow.

(2) and (3) describe initiatives related to asset management and FinTech businesses respectively, and these businesses are the main targets we are trying to cultivate and attract to Tokyo. As for asset managers in (2), we have written that we would like to introduce an emerging managers program (EMP).

As for (3), the development of the FinTech businesses, we have written that it is important to create a FinTech ecosystem, i.e. the Tokyo version FinTech center where entrepreneurs, investors and research organizations cluster. Panel Member Mr. Kariyazono will make a presentation about this later today and we would like to continue discussions.

(4) is about nurturing financial professionals. As has been proposed by the advisory panel, we would like to utilize Tokyo Metropolitan University to strengthen the development of talent that can play active role in the global financial city.

Finally, the third area is to contribute to solving social issues. Aligning with global trends, the TMG would like to ensure compliance with the fiduciary duty, corporate governance and stewardship code, which are deemed to be the proper code of conduct for companies.

Additionally, we would also like to promote ESG investments, which focus on environment, social and governance, in the Tokyo market. As for the environment as shown in(3), TMG are planning to issue “Tokyo Green Bonds” within this year, and also looking ahead, we will consider measures for promoting private companies to take actions such as issuing green bonds.

Lastly, (4) is about establishing the “Tokyo Finance Award” as was proposed by many advisory panel members. We would like to establish an award system for businesses that develop and provide financial services and products that can answer the needs of the Tokyo residents, matters related to TMG’s policies, and promotion of ESG investment. As for the award, we are considering of including businesses around the world as candidate, and attracting them to Tokyo.

In conclusion, as we have indicated the schedule in the previous advisory panel, TMG would like to elaborate on each measure and further deepen the contents of the Interim Report. Hence, we will compile and announce the final report, the so-called “Tokyo Financial Big Bang” by this autumn. As we are going to compile the final report, we would like to have your ongoing support and opinions from a broad perspective. In the latter half of today’s meeting, we are going to make time to discuss on specific items in the Interim Report. We hope we could get your candid opinions. That is all from the Secretariat. Thank you very much

Atsushi Saito: Thank you. I’m sure all of you already had a chance to look at this Interim Report many times. Do you have any questions or comments at his point?

Haruo Shimada: There’s an item about an attractive business environment. This is important and I think we need to develop a system that makes hiring of good finance professionals easier. I’ve been studying labor matters as a scholar for some time and as the second growth strategy of the Abe Administration addressed in the beginning, it may make sense to include compensation based on achievement or as expressed in Japanese, no more compensation based on hours worked. Prime Minister Abe is strongly pushing for this.

One other point is financial compensation upon employment termination. Discussions were in the early stages and for some reason it has stopped. Mr. Kindred has been strongly pursuing this. I also greatly concur to this. We can strategically hire the best talent from the world. They can execute a project and deliver results. If the results are not delivered, then the project may be dissolved. This is difficult to do in the current Japanese employment system as termination is not possible. This is a big risk which impedes hiring. While employment termination financial compensation has been discussed,

Mr. Abe did not pursue it making it unfinished business.

Compensation based on achievement must show results. It is based on results and not the number of hours worked. Highly skilled finance professionals deserve such a system. To introduce such a system nationwide in Japan may be difficult based on its fundamentals, culture and existing systems. It may however, be possible at the special zone. Mr. Kindred has expressed similarly in a different way previously. I think this should be an item to be included in enhancing the attractiveness of the business environment.

Atsushi Saito: Thank you. Yes, as you have mentioned we have received thoughts from Mr. Kindred and held discussions on this. I'd like to further this later on. Are there any other comments please?

Jesper Koll: On page 9, specific measure 3, point 2 about corporate governance and stewardship code. I want to stress that this impacts not just normal industrial or service companies, but also financial professionals, investment companies' or asset management companies. Their stewardship and governance must change. We must also emphasize the urgent focus on fiduciary responsibilities as FSA Commissioner Mori has been strongly advocating. Fiduciary duty is all about clear accountability and full transparency toward all clients of asset managers, particularly individual investors purchasing financial products. Fiduciary duty must be defined more clearly, must become the pride of Tokyo's asset management services industry to set the global standard for best global fiduciary standards. Whether this is called Fiduciary Rule, like in the US, or Fiduciary Code does not matter. Fundamentally, Tokyo's success as a financial city is depends on progress toward the Democratization of Finance. As such, pride in executing global best-in-class fiduciary duties is very important.

Atsushi Saito: Thank you. FSA Commissioner Mori is very vocal about fiduciary duties. Thank you for the valuable opinion. I think we will need to co-work with the FSA going forward. Are there any other opinions? Yes, Ms. Kawamoto?

Yuko Kawamoto: In the Tokyo Financial Award section, it's written as meeting the needs of Tokyo residents and resolving TMG's issues. I think that it will be good if Tokyo residents can feel the "change" speedily, i.e. sooner rather than later. I think that the existing TMG's "JISA Biz (coming to and leaving the office flexibly)" and children on waiting lists for nurseries are such issues. Thus, I hope that some financial product or service could be developed to respond to these issues with visibility would be good.

Atsushi Saito: Thank you. Anyone with ideas on what we should do? Are there any other comments? I think we've sufficiently covered the Interim Report. Mr. Sayama, please.

Nobuo Sayama: Yes, about the Tokyo Financial Award. Existing issues about Tokyo residents' needs and TMG's issues were covered but I think we should also broaden our scope as Tokyo is aiming to become a global financial city. We should be thinking along the lines of: this is what is happening globally and this is what Tokyo would like to do, so including new undertakings would expand our horizons.

Atsushi Saito: Thank you for your valuable opinion.

Haruo Shimada: I previously recommended the Tokyo Finance Award and it's good that ESG is being focused here but let's remember that the Koike Administration is advocating the three elements, i.e. Tokyo as a diverse-city, smart city and safe city. I believe that these elements supersede ESG and Tokyo should be known for them globally. ESG is something that the UN has started and appears to be a fashion. For Tokyo, however, I believe that the three major elements of the Koike Administration should be represented.

Atsushi Saito: Does anyone have any comments on the point discussed now? Let us discuss this issue as we further consider hereinafter. Yes, Governor.

Yuriko Koike: There is something that I was very surprised about when we held a meeting with foreign companies' CEOs. In page 16 of the Interim Report, it writes about the importance of ensuring a living environment where foreign financial professionals can live and work comfortably. And the opinion from the speaker at that meeting was that, Tokyo should add a topic to this part of the Interim Report about accepting LGBT. And, this was really an eye-opening idea. While I have heard about this in the past, I now feel this topic is gaining even more importance. It may be worthwhile to discuss about it at this meeting. Opinions may differ by individual, but looking at the world, it can be one of the topics to discuss as part of diversity.

Atsushi Saito: The other day, there was a meeting between representatives of Tokyo-based foreign asset management firms and the Governor, which included very specific opinions from the fields. Let us discuss these themes, including LGBT going forward. Are there any other opinions? Since our time is limited, if you have anything please add your comments later. Sir Roger, do you have any additional comment from you? No?

Sir Roger Gifford: Sorry, I did not hear the question, if there was one.

Atsushi Saito: Do you have any comment or opinions on Interim Report that has been compiled?

Sir Roger Gifford: Thank you. I have always some opinions. I think it is a good interim report. If you think back to when we started, we discussed banking, we discussed insurance, we discussed other areas, clearly, we are coming very strongly towards asset management and around how to encourage foreign asset managers and indeed to come into Tokyo, also how to encourage Tokyo's institutions to become more regional and outward-looking, possibly in their investment options. I think that is exactly the right way forward. Therefore, I am very interested to hear the specific ideas and policies around developing those two strands of bringing people in and expanding local interest out. It seems to me that those are being addressed, so I read the Interim Report with interest and satisfaction.

Atsushi Saito: Thank you very much for your opinion.

Let us proceed now to presentations. Today, we have requested Messrs. Kariyazono and Aritomo to make presentation. We'll have opinion exchange time after the presentations. Mr. Kariyazono, could you please begin. It's Material 4.

(2) Presentation

“Toward the creation of a FinTech ecosystem (Tokyo version FinTech center)”

Soichi Kariyazono, Chairman, Japan Venture Capital Association

Soichi Kariyazono: I am Kariyazono of Japan Venture Capital Association. Thank you for providing me the opportunity to speak today. During the panel meetings, I have spoken about the very important roles that mega incubators and concentrators play for innovation, including Level39 in London. I am sharing that study today.

While I was compiling this study last week, the world’s largest incubator was established in Paris. It’s named Station F. It utilizes a huge parking space of freight trains with a size of approximately 34,000 square meters, roughly 3/4 of Tokyo Dome’s size. They have renovated a large-scale facility and calls it an innovation campus where not only startups but also venture capital firms, large corporations and government satellite offices can gather from Europe and the world.

The “F” for Station F stands for France, Founder (entrepreneurs), and Femme (ladies). With such a facility opening in Paris, I’ve noticed further that competition among cities is intensifying and policies centering around innovation is being emphasized. With that as a background, I would like to go through case studies with you today.

Starting off from the overview. There are three salient points.

First, the utility (importance) of clustering for innovation. It is obvious that having an ecosystem and clustering are key to industry innovation. In the past, Silicon Valley and in Tokyo, Shibuya’s Bit Valley where Internet businesses clustered, have shown results. More recently, the density of clustering is increasing from regional levels to areas and buildings. New York and Dublin are cities where FinTech clustering exist. Concentrators cluster in London’s Level39 and Boston’s CIC, which I will talk about later.

Second is about Tokyo's FinTech scene. Investments in FinTech is also rapidly increasing in Japan. Financial institutions and VCs, and corporates are also increasing interest. Also, I have heard that discussions of not only special zones but also about a nationwide sandbox are underway. Yet, there is still a large gap to be filled when compared globally.

In Tokyo, we see an ecosystem consisting of FINOLAB, FINOVATORS and FinTech Association emerging. In addition, large financial institutions are advancing their own laboratory activities and we can observe the beginning of an ecosystem here as well.

On the other hand, clustering of FinTech firms is not progressing. I'll be presenting data later.

Third, I believe Tokyo needs to advance clustering of an ecosystem toward creating a Tokyo version FinTech Center. When clustering, merely gathering is insufficient. To accelerate the process, collaboration with accelerators and concentrators who become hubs is critical.

Then, there is FinTech. For Japan's FinTech, we should look at Japan's many strong industries and not clustering of financial services. Thus, a cross industry ecosystem should be built, where coordination among AI and IoT technologies and medical and other manufacturing industries is important.

Now, going on to the importance of clustering. To promote innovation, clustering is key. Data provides evidence that collaboration is more frequent with physical proximity. The table at the left bottom clearly indicates this, showing distance. The frequency of collaboration differs by the same aisle, same island (area), team on the same floor, team on different floors and team in different buildings. This indicates that distance is a significant determinant of collaboration.

Second is about the clustering effect for innovation. We've seen Silicon Valley and over the last 20 years an ecosystem of Internet industries has developed in Shibuya, Tokyo and continues to cluster. The picture at the right bottom shows what we called Bit Valley in 1999. Shibuya is the center but offices disperse in different directions, ranging from Shinjuku in the north and Meguro in the south. At present in 2017, there are leading IT venture firms and startups clustering around the Shibuya Station area. The photos are in different scales so they look rather similar but clustering around Shibuya Station has significantly increased over the last 20 years, becoming the center for the IT industry.

Continuing on to the four global case studies.

I'd like to begin with London's Level39. It is located in Canary Wharf and is a concentrator by Canary Wharf Limited (real estate developer). Over 100 companies reside here as technology related accelerators, of which 37% is said to be FinTech. Other than FinTech, there are real estateTech and retailTech making it cross industry. As for accelerators, there are several exchanges being made with Accenture playing a leading role. There is an industry organization known as Innovate Finance which coordinates with FCA and conducts Sandbox activities. This has been a remarkable success.

Next, let's look at Cambridge Innovation Center (CIC) that is located around MIT. Established in 1999, CIC has been operating as a concentrator model with a long history. There are 500 venture firms, and a clustering of 850 firms consisting of satellite offices of large corporations, venture capitals and accelerators. Also, an organization called Venture Café hold events on a daily basis for active communication. CIC's operator would like to expand its operations globally and is also planning to enter Japan.

New York is the next case study. New York City has been quick to take action in revitalizing the finance industry after the Lehman crisis. With the objective to promote FinTech, it has taken a series of actions: ① entrepreneur network support, ② incubator establishment, ③ maximum support of USD 10 million, ④ Jump Start NYC establishment for those that have lost finance jobs to promote entrepreneurship and ⑤ promotion of those that have lost finance jobs to venture firms, accelerating employment known as Fast Trac(k). As a result, in 2014, the FinTech labor population was 43,000,

and the number of FinTech company was 5,000.

For New York State, please look at the bottom half. A new measure called START-UP NY was launched. I have heard that this was the most successful action at the World Venture Capital Association Global Conference last year. The model allows companies that locate themselves in the State designated university facility to be tax exempt for business related tax for ten years, including state tax, regional tax, corporate tax, sales tax etc. Over 80 locations are designated. For example, FinTech should be located in this facility and digital health another. I understand that this model is unique in that the tax incentive is structured to also promote clustering at the same time.

Next is Dublin in Ireland. The region is Silicon Docks. This was IDA's effort to attract firms globally that has been around for 30 years. NDRC, Europe's largest incubator, and Enterprise Ireland, a government organization, no.3 seed-early investor have been actively involved. Enterprise Ireland directly invests in 70 companies annually. Such investee companies are defined as "HPSU (High Potential Start-Ups companies)" and they are favored and supported closely. Support also includes sales of products and services worldwide.

There are other various measures undertaken in Dublin. When I met a local VC there, he mentioned that there is a high degree of clustering. There are four pubs in this area and if you visit all four, you would be able to meet almost everyone. He mentioned that Tokyo is too large. I thought Tokyo was pretty concentrated but a Dubliner thinks Tokyo is large. In addition, for example a person from Enterprise Ireland told me that any sales support he provides is directly linked to his appraisal. Appraisal goes up with sales growth in supported companies, indicating an alignment of interests.

Now let us turn to FinTech in Tokyo now. As you can see in the left diagram, Tokyo's FinTech investment is growing. Investments will further increase. Last year was 27.4 billion Yen. In global comparison, this however accounts for only 1/50 of the U.S.'s 1.485 trillion Yen and is just a beginning. Japan still has room to grow compared to Asia and Europe.

Japan has also established a FinTech industry association and a gathering place is also emerging. FINOVATORS is the incubator and FINOLAB is the innovation office. Large corporations are also establishing their own labs to promote FinTech, spurring rapid growth. I also understand the government is supporting these efforts.

I believe this is today's most interesting chart. The diagram at the bottom shows the office location of a FinTech firm that has received large funding in 2016. The red labels are FinTech ventures. These 15 firms spread across widely compared to Otemachi where financial institutions cluster or Kasumigaseki where government organizations gather and Shibuya where IT firms are concentrated. When I asked, they do not appear to have a good reason to cluster and end up at low rent or familiar areas. This appears to always be FinTech Association's homework. They are doing many things about this. While I don't have data, if the distance is this much apart, daily communication is reduced. A clustering location is called for.

I would like to make a recommendation based on the clustering case studies we have seen. First, the location. It is important to select a strategic location where people can gather, establish or have a facility, and introduce incentives to promote clustering.

Let's look at strategic location first. Dublin has selected a location where venture firms, universities and research institutes and government bodies can easily gather. A CIC member also mentioned to me that planning ahead is important as startups rapidly grow and continuously need more office space.

In addition, designing an incentive to promote clustering is paramount. This we have seen in New York's example.

And there is a need to have community space to hold large scale events. At CIC, daily events are held at District Hall.

Finally, a place for networking. A charming place attracts more visitors. The person from Dublin also told me about the importance of this. Tokyo has many attractions.

The next slide is about software and people. In addition to hardware design, it has been repeatedly emphasized that a structure to encourage people to communicate is extremely important.

First, on cross industry and technology clustering. To establish an innovative new business, the fusion of industry and technology is paramount. This is also true at Level39 meaning that clustering is not limited to FinTech. I've discovered that the matrix of technology as horizontal and various industries as vertical axes, allows for many opportunities to be pursued as incubators and concentrators.

Second about community managers. A community manager acts as a concierge to support players and customers who gather and communicate to each other. The manager will also operate workshop community events.

Third is on media and communication. For people to gather, that place should be lively and communication from there is very important. In New York, there are more than ten media companies specializing in FinTech. How about Japan? I felt the importance of media's power during my research.

Lastly, I made comments as we work toward creating a Tokyo version FinTech Center. A private sector based ecosystem is emerging in the Tokyo FinTech scene. The selection of a strategic location for stakeholders to easily access and hardware design as well as the use of concentrators and accelerators to promote networking of people is the common denominator when establishing centers based on case studies of other cities.

Furthermore, if we think about the characteristics of Japan and Tokyo, as a nation and city, case studies from other countries made me strongly think that we should not confine ourselves to the narrow areas of finance and IT, i.e. FinTech but also consider a matrix approach of technology such as AI and IoT, and medical and manufacturing industries to encourage innovative services within a broad ecosystem.

And it is without doubt that Tokyo will be the center of attention with the coming 2020 Tokyo Olympic and Paralympics. Communication is important for Japan and Tokyo to be known as an innovative city not only to entrepreneurs but also as a diverse city (diversity) as we've discussed earlier. As a matter of fact, I am working toward holding the World Venture Capital Global Conference (held every other year) in 2020 at Tokyo. I would like to communicate Japan's innovation to the world in this instance. This concludes my presentation.

Atsushi Saito: Thank you. Next, Mr. Aritomo could you please present? Material is number 5.

“Promoting Tokyo as a global financial center”

Keiichi Aritomo, Representative Director

The Consortium for Japan International Asset Management Center Promotion

Keiichi Aritomo: I’m Aritomo. Now about overseas promotion organization. I have developed this proposal together with Mr. Jonathan B. Kindred of the International Bankers Association of Japan (IBA Japan). I will walk through this presentation first and Mr. Kindred may follow up with further remarks.

First, since some members are participating for the first time, let me quickly recap what JIAM has been doing. The Consortium for Japan International Asset Management Center Promotion has conducted two world tours to attract and entice independent and active asset management firms. We have met with approximately 200 companies. There still exists much skepticism about Japan’s business and regulatory environment. Japanese portfolio managers who have left Japan for abroad especially have a negative impression of Japan. When explored further, we have discovered that there is a lot of misconceptions sometimes driven by past bad experiences and this misunderstanding, we believe can relatively easily be rectified.

On the other hand, the views of the International Bankers Association (IBA Japan), foreign companies based in Japan have more positive impressions about Japan’s business environment and it is getting better. This indicates a widening perception gap between foreigners in Japan who are positive and Japanese abroad who are negative.

From such learnings, measures need to be implemented to accurately provide information on Tokyo and improve them through continuous feedback. It is also written in the Interim Report that an overseas promotional organization is necessary. Currently, there is no body that can promote Tokyo as a financial city on a regular basis. Our organization specializes in promoting asset management but I believe it is necessary to promote financial services industry as a whole.

When we look at other cities, Sir Roger Gifford has presented to us measures undertaken by TheCityUK

and the City of London at the fourth advisory panel. Financial centers in Frankfurt, Paris, Luxembourg, Toronto, Abu Dhabi and Dubai are also conducting overseas promotional activities. We will need to think what form of finance promotional organization is suitable for us while considering these cases.

The way finance sector promotion by cities are conducted worldwide can be divided into four groups. New York City, which Mr. Kariyazono has explained to us, implements various measures on an ad hoc basis. What is amazing about New York is that it always knows what to do next despite the fact that they have always been the world's largest financial city and does not have an organization that is dedicated to promoting finance.

Also, Sydney. Australia has an organization similar to JETRO's known as Austrade. From this perspective, the country is closely involved with promotional efforts but it does not necessarily specialize in finance and the necessity of having an organization to specialize in promoting finance is currently being discussed.

On the very right of the table are the country-led promotional organizations. Singapore, Hong Kong, Luxembourg, Abu Dhabi, and Dubai have been undertaking wonderful activities. They are city states and not necessarily democratic. While they are extremely strong in finance and such aspects may be useful to consider, replicating their model may not be feasible for Tokyo.

John and I believe that city-led promotional organizations or collaborative organizations between the public and private sectors, such as London, Toronto, Frankfurt and Paris, especially Toronto, Frankfurt and Paris are appropriate models (for Japan).

Specific reasons for this are presented in the next slide. London contains the City of London and has a history of 1,000 years; if I remember correctly, Sir Roger Gifford is the 685th Lord Mayor. The word “Mayor” implies election and it appears that a sophisticated structure exists. In the future, perhaps this is something that we can be aspired to become; however, emulating the London model may be too ambitious for Tokyo at this point.

Sir Roger Gifford: Yes, I can agree, that's correct.

Keiichi Aritomo: Other cities are Toronto and Frankfurt. Toronto is geographically close to New York as well as Chicago and Boston, large US financial cities. Toronto thoroughly studies what other cities cannot do. For example, since it is strong in mining, it can then become the world's base for mining finance. Also, since Sino-US relationships are sensitive, it is trying to become a RMB hub. For Paris, the promotional organization is promoting efforts for EMP (emerging managers program).

As for governance structure, the three cities of Toronto, Frankfurt and Paris are very similar. There are executives, an advisory board and a Secretariat, an executing body. This structure is probably realistic. The budget size is approximated as several million dollars depending on the foreign exchange rate.

Going forward when creating a finance promotional organization, Tokyo needs to consider what kind of functions are necessary, what the objectives are, how governance structure should be designed and what steps are required to realize this.

First, as for functions, Japan already has organizations with relevant functions. Functions and attributions required for the proposal organization are: specialism in finance, conducts promotional activities targeted abroad, has inbound activities, is widely supported by the private sector, also coordinates with the government. With these in mind, I have produced a chart here and many come close to fulfilling the requirements – the FSA, the Japan Securities Dealers Association and Japan Investment Advisers Association as a self-regulated organization, JETRO, us (JIAM), the International Bankers Association (of Japan), and the Japanese Bankers Association – but none has all functions. In this vein, if all here today cooperate, we should be able to establish a formidable promotional

organization.

Next is the objectives of the organization's activities. John and I propose five objectives. First is marketing then confirmation or what Mr. Kindred refers to as validation. Specifically, as we are going to be attracting companies from abroad, we would need to validate if the company is the "right" (appropriate) player, and what impact they may have on the existing ecosystem before promotion. Other objectives are business promotion, incubation and advocacy.

I believe that acting together in a continuous fashion would lead to the development of Tokyo as a global financial city. I have also mentioned in the Interim Review about "who" is taking responsibility for the various measures. One of the reasons why the concept of Tokyo as a Global Financial City did not fly from the past similar attempts was because the "who" was ambiguous. We tend to often use the vague words such as central government, collaboration between public and private sectors, but clear accountability is missing. As a result, the activities ended up not being executed. When we look at other major global financial cities, the promotional organizations are responsible for implementing many of the measures. Thus, the organization is not about merely attracting foreign players. The organization has an extremely important role to perform the various recommended measures in the Interim Report.

As for sector, the advisory panel decided to focus on asset management and FinTech. Promotion is to begin from these areas rather than making it wide in the beginning. Following that, I believe we should be expanding gradually to other finance sub-sectors, such as insurance, trade finance, business, equipment financing and other financial areas. I believe it is better to narrow down the focus first and then expand.

Lastly on how to design the organization. Since all of us here represent industry associations, with everyone's cooperation and TMG, FSA, JETRO and other governmental bodies, I believe we can finalize the design.

To dig deeper, we will once again need to clarify the organization's objectives, focus areas, governance structure, budgets and ensure funding of each. For today, by obtaining consensus, we can go on to the next step. I welcome your suggestions. Jon, do you have additional comments?

Jonathan B. Kindred: Yes. Thank you, Keiichi. I would just add a couple of additional supplemental points. First of all, International Bankers Association of Japan (IBA Japan) is very, very supportive of this kind of an initiative for Tokyo and excited to be involved in trying to help it get going. But we also think that for maximum success, it really needs to be grounded in domestic support from domestic industry and stakeholders, and that over time, the engagement should be as broad as possible across all sectors of the financial services industry as well as ancillary services like the accounting profession, the consulting profession, other providers of services in addition to various industry silos.

Secondly, I would pick up on a point that Keiichi mentioned which is about accountability. I think that a key role of this body, if structured right, would be overseeing and coordinating the implementation of the different policy measures that ultimately TMG agrees to pursue coming out of the recommendations of this panel. And I think that in the past often reports got done but there was a lack of clarity around accountability for implementation, and this kind of body could, I think, play a spearhead role in actually ensuring accountability on execution.

And then, I also would add to that, that getting actions done is important, but it is also important that people know what those actions are and why it is good for them. And so, I think it is going to be quite important to the extent these policy measures get done that there is a way to communicate that to the people of Tokyo as to why this is really good for Tokyo and beneficial overall for the broader macroeconomy in Japan.

The leadership, I think, will be a key and I do think that under the auspices of TMG it should be, but there should be a CEO type of individual that can really drive it forward, somebody who can put coalitions together to make things happen. This will be really important given a startup effort and a diversity of interests.

And then, the last thing I would say is that I think it is key if we agree and the TMG agrees to pursue this that there would be some type of timeline with deliverables set up to actually implement according to a set schedule with a reasonable degree of urgency because this could be a great platform to demonstrate that action really is happening, and we should not lose track of that opportunity in terms of how this gets set up and communicated. Focusing on global best practices, entrepreneurialism and innovation are all going to be, I think, central themes of this.

I will stop there. Thank you.

Atsushi Saito: Thank you

Now, while today's discussion has a wide scope, one topic is about FinTech. Mr. Kariyazono has mentioned about CIC that, when a venture firm locates itself in CIC's building in Boston, they find lots of convenient facilities in it. It is so useful that other ventures also follow suit. He talked about the importance of clustering.

Mr. Aritomo and Jon have spoken about the importance of overseas promotion. The important themes here were the ways to make promotion, accountability on who takes responsibility and reasons to do it, and to set a timeline on implementation.

Since London has been raised as a role model many times, I would like to hear from Sir Roger Gifford. It's 4:55pm now so we have about 50 minutes. Let us freely discuss. Mr. Yamaoka.

Hiromi Yamaoka: Thank you for the excellent presentations. As I mentioned at the first meeting, I believe that foreigners' impression of the Japanese financial authorities being cold and rigid to financial industries is often an "urban myth" based on misunderstanding, and that it's important for us to make efforts to rectify this.

Also, as I've said at the fourth meeting, Japanese culture does not generally welcome outspoken advertisement. Japanese craftsmen, whose technologies and skills are excellent, tend to refrain from communicating them broadly and to keep them within inner circles. As a consequence, outstanding skills and technologies born in Japan are sometimes kept unknown to foreigners. Nonetheless, such humble and modest attitudes may not always fit well to financial businesses, and we need to make an effort for promoting and communicating our strength. Regarding the contents of the presentations, I generally share the direction of the proposal to strengthen the promotion of Tokyo financial markets, although there would be practical issues such as how to finance and how to satisfy the accountability of the promoting activities.

If we establish the organization for promoting financial city Tokyo, then we need to consider what this organization can do, since foreign entities will ask what it can deliver. Just holding a party will not be enough to attract foreign entities. In this respect, at the last meeting the Governor referred to the fact that the weather data available at the TMG web-site were very popular and received the most accesses. I was deeply impressed and thought that it was very insightful. In our case for example, reputable doctors come to work in the medical office in the Bank of Japan. One of the reasons why those doctors come to our Bank is because the Bank keeps comprehensive data of employees' medical conditions, which vividly describe how 22-year-old healthy and young people entering the company become aged, with being less disciplined in terms of eating and drinking and gradually accustomed to unhealthy lifestyles, and eventually develop various diseases particular to middle-aged people.

TMG is a plethora of these types of big data, since TMG operates its own public trains, buses and hospitals. Since regulations on the use of big data changed recently, it has become easier to make these big data available to the public as long as data anonymity is secured. If we think about physically gathering FinTech firms to a single building in order to promote open innovation, we will have to consider various things such as “who should pay the rent”. In terms of promoting open innovation, we could also facilitate the use of those big data as a core of facilitating open innovation, and there would be less budget constraints for such activities. In addition, the sound of “big-data” would match the message of Tokyo financial “big-bang”.

Also, it is important to promote the overlapping areas of FinTech and asset management businesses. In this regard, I think that Sir Gifford referred to the important fact at the fourth meeting. Sir Gifford illustrated that London was recently focusing on promoting robo-advisers. In my opinion, this is a very smart and tactic move since robo-advisers are precisely in the overlapping areas of FinTech and asset management, and it would be better also for us to communicate to the public that we are supporting the development of robo-advisers. One of the reasons why past discussions about promoting financial businesses in Tokyo did not succeed well was because the general public, i.e. Tokyo residents, did not see their own benefits in the discussions.

Japanese people are generally discrete and eager to sustain their lives without relying on others. The Bank of Japan makes various surveys, and in which we often ask the people why they allocate substantial portion of their financial assets to bank deposits, instead of the products with higher risks and returns. The answers to such questions show Japanese people’s strong will to avoid causing any financial troubles to their children or grandchildren in case they lose their money in risky investments, even though their expected returns are higher than those in safe assets. In this regard, new technologies and FinTech may facilitate those people to understand and manage their own portfolio. If they become able to grasp how much they have to keep as safe assets for their lives after retirement and how much they can use for their investments for risky assets, smooth and sound transition “from savings to investments” would be stimulated. Also for encouraging the developments of new services in the overlapping area of FinTech and asset management, it would be better to publicly show our intention to promote robo-advisers and the application of Artificial Intelligence to asset management.

Atsushi Saito: Thank you. We have three new members today. Mr. Hirano could you please begin?

Nobuyuki Hirano: I am Hirano from the Japanese Bankers Association participating from today. After I have been listening to the Interim Report and today's two specific topics, I agree with many of the items discussed. Although I may be stepping back a little, as it is my first time here, I would like to share my personal thoughts on how to advance Tokyo as a global financial city, what the requirements are, what should be done and what we should aim for.

While this is what Mr. Kindred has mentioned at his presentation on Jan 31, I believe there are two requirements for being a global financial market or financial city. First, apologies for not being classy, but revenue pool must exist there. As finance is an industry, revenue must be expected and grow. Using recent terminology, it needs to be a sustainable growth, which I think was what Tokyo lacked in the past. Second is environment, which means various infrastructures for finance industry, regulations and living conditions. Finance is all about people and the living environment is important. I think this point was already discussed here.

With this in mind, there are probably two types of global financial market or financial city. As Mr. Aritomo mentioned earlier today, one is New York and the other is Singapore.

It may be called depth in financial market or more bluntly, revenue pool. For New York, it has domestic economic activities, industrial activities and personal financial activities, which can be in the form of borrowings, savings or investments. New York has strong four segments, namely household, corporates, government and financial sector, which is a very large customer segment for banks by the way. In other words, New York has real economy.

The other is Singapore. Although Singapore does not have a real economy basically, it has a wonderful track record to artificially accumulate intelligence and create a remarkable financial sector. To achieve it, Singapore has made significant deregulation, placed incentives and adopted many preferential tax measures. In addition, they have effectively engaged in promotion activities. For example, Singapore holds a summit every autumn around the same time as the F1 event and invites about 30 people globally from industries, academia, finance or former central bank governors.

One of the sponsors of this meeting is Singapore's finance authority, the MAS (Monetary Authority of Singapore). CEOs of financial institutions worldwide, including me, are invited and the future of finance is discussed. An accumulation of such efforts has created today's Singapore.

Therefore, if Tokyo were to pick between these two, I believe Tokyo should aim for New York. While China has surpassed Japan, Japan remains the world's third largest economy and the second in the capitalist economy, which should be taken advantage of.

London is also often discussed as the other model for a global financial city. I believe London is similar to Singapore, while London has some real economy foundation. The reason why London is closer to Singapore can be observed by the percentage of financial industry to GDP. I heard that the Secretariat of TMG reported it as 10% while Japan is 5% and the U.S is 8%. The number of 10% is abnormal, given that both France and Germany, which have global financial cities, namely Paris and Frankfurt, is about 6%. This is the big picture.

For Tokyo, I personally believe that it should consider becoming a global financial market by leveraging Japan's real economy. What first come to mind is Japan's financial assets, which I believe was already discussed here. The savings that our seniors have accumulated after WWII are not sufficiently utilized and we need to think about how to achieve the goal.

From this standpoint, I believe asset management is one correct area to focus on. However, we need to clearly understand that only sales function will come to Tokyo first. It might be too detail but in other words fund managers will not be the first ones to come. This is because the sales people will come to sell foreign investment products targeting Japanese financial assets. Probably there are about 20 people per asset management firm. If there were 20 companies, then we are talking about 400 people.

I believe we should not stop there. As Mr. Aritomo was saying, we need to aim for something beyond. Although product imports may come first, we need to shift to export in the future. This in turn means calling for risk money to financial products created in Japan or investments to Japan. If achieved, asset managers will be in Japan, resulting in the expansion of Japanese financial products, including alternative investments. Ultimately, Japan's financial market, such as sales and trading, engaged by Mr. Kindred's or our firms, or capital markets for funding, will expand. At that point, Tokyo will have a complete set of infrastructures required for a global financial market.

Therefore, while 10% of GDP is considered an unrealistic target in Japan, it might be a good idea to set it just as an aspiration and I believe it is a right approach to start from smaller pieces and then grow without being a big mouth as in the past.

Another is FinTech. This is an area of great interest globally as well as in Japan. As this is not only true for financial institutions in Tokyo but also regional institutions, the Japanese Bankers Association is also very interested.

If I could mention a little about this, I have been particularly interested in pages 35-36 of Mr. Kariyazono's presentation, emphasizing the importance of cross industries. If this is applied to Japan, as it has a real economy unlike Singapore, Japan should not confine the scope of Fin Tech to finance but should go in the direction of skillfully integrating IoT, AI and robotics with FinTech.

While this is about our individual institution, we have a MUFG Innovation Lab in Otemachi. The focused themes at this lab are health care, automatic driving, aging and inbound, and they are considering how to link finance with these real activities. This approach would lead to the social issues just discussed or ESG. In short, both asset management and FinTech should be pursued with having a good linkage with real economy in Japan.

Lastly, more 10 seconds please. The Japanese Bankers Association is interested in getting involved in these activities. As the majority of the 120 member banks of our association are regional banks, it may be difficult for us to only focus on Tokyo. However, if foreign asset managers come to Tokyo, they may be able to provide unique ideas to current issues which regional banks encounter, such as how to utilize excess savings. It would be the same story for FinTech firms. Apologies, I have spoken a bit too long.

Atsushi Saito: Thank you for your splendid overview. Now going into more specifics, Mr. Oba, what do you think about EMP issues?

Akiyoshi Oba: I am Oba of the Japan Investment Advisers Association. You mentioned about EMP now. On a broader note, in order to proceed with this in detail, I believe there are two important points to consider.

First point is Tokyo's growth prospects. If there exist growth prospects, conditions may not be fulfilled but still may attract interest. The reality is that we can't find out growth prospect here. The Nikkei Average is currently around 20,000 Yen and is about the same level as thirty years ago when the Governor used to be a news caster. Japan is probably the only country with its equity market level equivalent to thirty years ago. This is a symbolic issue on lack of growth prospects. We should think about how we solve this. Once resolved, I believe a substantial amount of investments and investors will come to Tokyo.

Second point is about building a large pool of asset management talent which may be similar to Mr. Hirano's opinion. This is related to the EMP. There are two issues here. First, how to increase a financial literacy of entire Japanese. A dialog between the general public and financial professionals is necessary and increasing literacy levels of both is meaningful. Therefore, talent development for both the general public and financial professionals is necessary. We, Japan Investment Advisers Association, have held lectures on an asset management which have been contributed by us at 8 universities nationwide for over a decade. While this may be a steady effort, Tokyo Metropolitan University may also implement this.

Also, how to attract people's interest as Mr. Yamaoka mentioned about using Big Data. This is something that will also aid literacy. The number of Japanese that have access to the equity market is probably around 20 million, compared to probably around 80 million for the member banks of the Japanese Bankers Association. How can we change this? In other words, the equity market needs to be more closer to the general public. It is very important that they have to be more understandable like a big data and should have returns and/or return expectations, getting people to invest in equities.

Atsushi Saito: Thank you. Mr. Suzuki, please.

Shigeharu Suzuki: I am participating from this month succeeding former Chairman Inano. I'm Suzuki of the Japan Securities Dealers Association. We, as securities firms, would like to cooperate in TMG's initiatives to make Tokyo a global financial city.

We've just heard from Mr. Aritomo about promotions overseas. Our Association has held almost annually from 2008, a Japan Securities Summit, an IR Seminar for the Tokyo market in major overseas cities such as London, New York, Hong Kong and Singapore. The FSA participated in the past seminars, with our advocating the attractiveness of the Tokyo market and its activities to overseas.

It's good for various organizations, both in public and private sectors, to do promotional activities overseas. It is extremely important for each organization to have alignment when promoting overseas.

Thus, I believe the earlier recommendation to create an overseas promotional organization where both public and private sectors collaborate is very meaningful. With such activities, I believe Tokyo as a global financial city will be realized and am very excited. We would like to try our best as well.

Atsushi Saito: Yes, indeed. We still have time but let's hear more specifically about today's theme FinTech and promotion. As I always say, this meeting is to make basic proposals so that they need to have some details so TMG employees could implement them. Sir Roger. Please

Sir Roger Gifford : Thank you very much. I also am very supportive of this direction and this document. I only had one or two comments to add. Firstly is on the second-last slide, the point is made that the organization will require cross-industry and cross-government support, and I think that is a very important point that should not be lost.

In London we have benefited from very close engagement by the Bank of England and by the Treasury, and the Ministry of Finance, in involving and developing the financial services market, this means the equivalent of the Bank of Japan and the Ministry of Finance being closely and actively engaged in developing financial services. That has been particularly important in matters like FinTech and in green finance where, for instance, the green finance initiative that I chair has the regular attendance of people from both the Bank of England and the Treasury and from the Department of Business effectively. The involvement of government departments to get cross sector support has been very useful.

Secondly, it seems to me natural that TMG would take responsibility for this body. I would not recommend copying the Lord Mayor system, as you say, it is very old and very complex, but the point is that there is a leader and a clear definition of what a chief salesman, a chief marketing body would be doing to promote Tokyo as a financial center.

The third point I wanted to make was that one of the hallmarks, I think, of what London has tried to do and is particularly relevant to the moment in this period where Brexit is producing some uncertainty around the future of London's role, is that it takes initiatives. It is proactive in reaching out and taking initiative in e.g. legal services, in renminbi finance, in Islamic banking, in green finance, in promoting regional expertise. And there are two purposes behind this. One is because we think there is good business in each of these areas, but the second is to show a positive and proactive momentum externally. This is particularly important to the moment, but it has always been a part of what London has tried to do.

And then, my last comment was that there have been one or two references to a big bang approach, and it seems to me that is a good idea. There is a maximum PR effect, but if there is a package of measures covering everything from tax and living standards all the way through to incentives for developing FinTech areas, to bring those into a package of measures and then promote that in a kind of big bang way, that would be rather clever and you would get good effect with that, and it is also a package that you could take around different centers.

And I would very much like to offer London as a first location to launch this new strategy overseas. I

believe connectivity between centers is very important. This is not a competition between centers, it is about making more out of the combination of two centers. Two plus two can equal five in financial services.

Those were my comments. But as I mentioned, when I started, I am very supportive of this direction and very keen to assist. Thank you.

Atsushi Saito: Thank you very much. We've heard from Jon earlier that, if we were to focus on promotion, we need to have some kind of a CEO and build a team and make sure of the accountability. JIAM has done this already, but does this mean that another separate entity needs to be established?

Keiichi Aritomo: What JIAM does is limited and covers independent and active asset management firms. We cover some FinTech but probably more B to B FinTech, specializing in asset management, how alpha is generated i.e. how excess returns are generated and FinTech firms that maximize the use of technology.

This is the area of focus for Tokyo's advisory panel but in the future as Chairman Hirano mentioned, when we think about how much employment was created, several hundreds from asset management subsector may not be sufficient and we would probably need a broader finance sector coverage. An organization that can provide more comprehensive promotion with the support of private and public sector collaboration, the TMG, the FSA and JETRO is necessary. Thus, to answer to Chairman Saito's question, JIAM is a participant or is a subset of a larger promotional organization. I am also assuming leadership from the Japanese Bankers Association and the International Bankers Association (of Japan) as participants.

Atsushi Saito: I understand. So, we will be creating a larger promotional organization, with the TMG, JIAM, the Japan Securities Dealers Association, the Japanese Bankers Association cooperating. And we would also need a leader for this entity. I understand that this is what is currently being contemplated. Mr. Taniya, over to you now.

Mamoru Taniya: What is missing in Japan? Everyone's discussion is very interesting and I truly agree with what Mr. Oba was saying. What Japan lacks the most is growth prospect and diversity. 60% of entrepreneurs in Silicon Valley was not born in the U.S. The U.S. is composed of people from various countries and on top of that 60% is from abroad.

Thus, like the Governor mentioned about accepting LGBT, diversity breeds new things and we need to implement that. Then, we think about how to solve the issues of lack of growth prospects and diversity. As previously mentioned, Japan's taxes are not so low, and the market intelligence gathered here may be less compared to other Asian countries. This needs to be rectified and I believe it is relatively easier to be publicly listed in Japan's stock exchange. It may be easier than Hong Kong or Singapore and listing cost is low. Thus, one way is to make listing for Asian FinTech ventures relatively easy. Or, provide some form of incentive to venture capital firms investing in FinTech. We can attract such growing Asian FinTech ventures or even other growing companies to publicly list in Japan. Growth in Asia is visible and we can have such Asian firms list on the Tokyo Stock Exchange or other exchanges.

I don't know why this has not progressed but probably there may have been troubles in the past with Chinese companies. In Japan, when there is one failure or something is gray, everything stops. These activities, however, need to be continued for development. There may be issues overlooked for overseas issuers. Overcoming this and listing as many Asian FinTech firms and other excellent companies and venture firms as possible in Japan is what should be done. Then, Japan's market will have growth prospects and there may be venture capital firms interested in investing.

Atsushi Saito: Thank you. The Tokyo Stock Exchange is not here but we have the Japan Securities Dealers Association.

Male Speaker: We have a senior former member of the Tokyo Stock Exchange.

Atsushi Saito: Now I am the Chairman for this panel.

Then, perhaps for reference I may speak about what the difficulties are. As you were saying, the stock exchange is undergoing cut throat competition. It's not visible but every day is like a war. Recently, Hong Kong has approved listing of class shares. When Mr. Jack Ma's company tried to go public in Hong Kong, the UK rules did not allow listing of class shares. Then, the U.S. stock exchange immediately went to Mr. Ma for the deal. Mr. Ma is very smart. He has obtained funds of Yen 1 trillion in the U.S., but Mr. Ma did not give anything to the Americans and brought it all to China and spent it there. This is how he became successful in China. From national government perspective, does this make sense for the U.S.? Who became rich? Looking at the result, the smartest person was Mr. Ma, conducting his business in China with the Yen 1 trillion raised. Americans were able to only capture a portion of the share price (increase) and the U.S.'s benefits were small.

Stock exchanges are very delicate. In London, the AIM market was created. This market invited many companies to go public, including Russian ones that have just discovered oil. Over half have failed – they either went bankrupt or disappeared. However, they obtained funds upon listing. I was also trying to create an AIM market in Japan by tying up with London. There were no market makers

and it was not possible. Unless liquidity is there, markets can be created but do not last. Then, who creates liquidity? Securities firms need to take risk and participate to create liquidity. We've created the AIM market but no foreign companies came and even the major Japanese securities firms were not interested, or found it to be not too profitable. Now, the market has dried up and there is one company only, based in Okinawa that is listed.

As such, perhaps we could invite someone from the Tokyo Stock Exchange and request to participate in a constructive, positive manner.

Shigeharu Suzuki: I don't think it is particularly easier to publicly list on the Tokyo Stock Exchange. It has regulations and, with more problems arising, regulations are getting more rigid.

There are easier markets, for example, in the U.S, etc. There were large scale listings in Asia with privatization in China. In the beginning, a Chinese auto company considered listing on the Tokyo Stock Exchange. This may come from the personalities of the Japanese. While Chinese bonds, which were sold with the hara-kiri swap, were popular, no one purchased Chinese equities. No one were able to take such risk. There may be a difference of risk tolerance level between the Japanese and Americans. Securities firms cannot proceed without buyers. There were neither institutional nor individual investors excluding, only very speculative individual investors. As such, we decided not to sell such equities.

Then after a while, Goldman Sachs in the U.S. took this large risk and was able to sell equity so the entire market shifted. Therefore, while there is a need to do Asian issues, this is what happened in the past.

Atsushi Saito: Yes, I understand. Please go ahead.

Jesper Koll: Thank you. We are in this together - bankers, insurers, asset managers, Fintech entrepreneurs, regulators etc and, of course, the people of Tokyo. The future of finance, the future of Tokyo as a financial city, will only be bright if we all work together to create an ecosystem. We have to break out of the silos, the silos where the different parts of finance fight only for their own interest rather than focusing on improving the efficiency and the customer experience for the users of financial services. To break out of the silo mentality and the tunnel vision, this is what Governor Koike is offering with this group here. All of us experts know and feel that the future of finance will be different from the past that all existing players will have to re-invent themselves and their business models. The FinTech revolution is accelerating this, but more importantly, this is what the users of financial services want and demand. And if Tokyo continues to offer sub-par services, Tokyo will hollow-out even more. All of us agree that there is no time to waste anymore. To start in a new direction, we must set-up a new alliance amongst all the different players in finance. Only with an alliance can we find together the profit opportunities and the growth that Hirano-san talked about earlier. This is what the Tokyo Promotion Center must focus on. It is not about going to New York or London to give a couple of dinner speeches, but about building an alliance amongst Tokyo financial player that will make New York or London want to come to Tokyo to find out what the future of finance looks like.

From this perspective, I propose we set-up the Tokyo Financial Center Promotion Alliance. This is more than a Center. It is an Alliance and the goal is very straightforward. First, Tokyo becomes the model for best practice for global finance. There are many things wrong with New York. There are many rules and regulations where Japan can actually set the standard in cooperation with all of us, not just the banks, not just the securities companies. So, the goal of the promotion alliance, number one, best practice.

Second, innovation. And I am very sorry, I hear everybody talk about FinTech; FinTech, FinTech, FinTech - for whom? Are you creating financial products that entice a democratization of finance or you are just trying cut cost with some innovation? Both are worthy goals, but I think the focus of innovation and FinTech must be first and foremost the customer, i.e. focus on creating the best possible financial products particularly for retail savers and investors, the people of Tokyo and Japan. I do not have to remind you of the famous 99% that FSA Commissioner Mr. Mori, recently talked about, that 99% of Japanese financial products are not appropriate for consumption, so to speak. Anyway, the people of Tokyo and the People of Japan deserve better financial innovation and financial products.

And the last but not least goal of the Tokyo Finance Alliance -- entrepreneurship, entrepreneurship to create that new financial center, to create those financial profit opportunities by allowing more diverse new players and more effective use of new technology for Tokyo finance.

So, I think under leadership of Governor Koike and the Tokyo Metropolitan Government, we should set up the TFCPA, the Tokyo Financial Center Promotion Alliance, all of us together.

Atsushi Saito: Thank you for invigorating us. Yes, we need to be creative. Now on to Professor Shimada please.

Haruo Shimada: There must be a target for this meeting. Discussions have been going on for over half a year and need to be wrapped up within the next six months. A very good Interim Report was made. I believe that this Interim Report has comprehensively summarized discussions to date. I think we need to discuss in more detail, i.e. its size and how to differentiate Tokyo as a global financial city. For example, there are many things to do such as to improve governmental services or establish a stock exchange, nurture finance professionals, improve language skills – these are all very good ideas. One other point all have mentioned about Tokyo’s charm is its living environment and entertainment with so many enjoyable things to do. It’s also safe and if taxes were lower, many foreigners say they would come and remain in Japan. This is good. As the Governor says about how to make Tokyo shine as a global financial center, we need to narrow down our options as to where and what should shine about Tokyo compared to competitors. We need to be a little more specific about this.

This Interim Report lists FinTech and asset management as areas of focus. This is quite cutting edge, but for FinTech, block chain is often discussed about. Here, we are talking about something much broader. Financial technology can capture many aspects. As has been discussed before, human resources are essential. We need an environment where the world's best and brightest talent, the most innovative, the most motivated would want to say "this place is interesting, we should gather there." It should also be a place where all the talent can meet with each other.

That should be a place that is not too spacious but slightly small. For example, Kendall Square of Boston and Level39 of London are real examples. There were discussions that Tokyo is too large. Perhaps we can create something like Toranomom53. I've heard that Mori Building is constructing a new building. We can make that the center for this and reduce Tokyo metropolitan taxes for it. This is because we cannot reduce all metropolitan taxes as this would be a substantial amount. Asking for support from a national level is not easy either. If it's only in this building at Toranomom, however, it is doable. Also, the issues of financial compensation upon termination and compensation based on achievement may be adopted within this building. If 200 companies from around the world are gathered here, believe this would be possible and can stand out.

We also need to be more focused. There are many things in the Interim Report including government services, language, environment, whatever it might be, they are all good. That's all right and should be pursued but that wouldn't make Tokyo shine. People would say, oh, that's good. To shine, we should be able to communicate that there is a location like Level39 with reduced taxes, different labor laws, doing things in the way that normally do not exist in Japan. Then, the most outstanding people will gather. This is different from Corporate Japan's thinking but this is much like building a soccer or baseball team. Gather the best to win the game. We do a project, we win. If we lose, we dissolve. When dissolving, pay a small financial compensation. If this is not possible, it is difficult to hire. Tokyo can shine with one area standing out. Anything that works for the whole of Tokyo does not allow Tokyo to shine. If you don't need to shine, that is all right. Mr. Saito, isn't it time to be a little more focused here? Or else I don't think we can collect our thoughts together.

Atsushi Saito: Oh no, professor, we're not trying to wrap up here. Compilation will be done by TMG

employees. To repeat, we are supposed to provide specific ideas here so they can compile them.

Haruo Shimada: Yes, I understand. That's precisely the reason why I'm saying this

Atsushi Saito: So, if it's too broad, then, it can be narrowed down between now and November. This is not the place to make the final decision.

Haruo Shimada: I think there's some misunderstanding here. I'm not saying that. What I am saying is that we could make it a little easier for the TMG officers to compile.

Atsushi Saito: Compiling doesn't mean just compiling.

Haruo Shimada: This is about action.

Atsushi Saito: Yes, actions.

Haruo Shimada: Yes, indeed.

Atsushi Saito: Yes, that's why we are recommending/proposing so they lead to actions.

Haruo Shimada: So we should propose ideas that are actionable.

Atsushi Saito: Yes.

Haruo Shimada: Yes, I agree with that.

Atsushi Saito: Thus, for example, you could tell us what your university can do. If you propose that, then, the TMG employees can decide what to do with the university.

Haruo Shimada: It would be a pleasure for me to do that.

Atsushi Saito: That is what we are trying to do here now.

Haruo Shimada: A university however, cannot become a financial center.

Atsushi Saito: We have been discussing about nurturing talent over and over again. And now, we also need to think and discuss about what TMU should do specifically. That's what we have to do. If we propose that, then the TMG employees will compile issues and will ask for your help.

Haruo Shimada: I am the Chairman so know about such issues but what I am trying to convey now is to focus our discussions so that it would be easier for them to link to actions. What I'm saying is, is it going to be a center or are we working more broadly on infrastructure? We need to focus more for them to make judgements.

Atsushi Saito: Yes, so please give us many comments.

Haruo Shimada: I would go for the center.

Atsushi Saito: Yes, I understand. I will record it as an opinion.

Haruo Shimada: Yes, it's an opinion.

Atsushi Saito: Yes. Like the Governor said in the beginning, we cannot become NATO (No Action, Talk Only). We need to have at least one, two or three specific actions. If we keep to macro views, Tokyo residents will look down upon us.

Haruo Shimada: So, that's the reason why I said a focused Toranomom39•••

Atsushi Saito: Yes, so that's good. We have discussed about CIC already. That is good in itself.

Haruo Shimada: In addition, if we could create special tax systems and labor laws to apply, we will be extremely focused, was my opinion.

Atsushi Saito: So, that's the type of opinion we would like.

Haruo Shimada: I've been saying that from the beginning.

Atsushi Saito: Yes, I understand. Yes, please.

Nobuo Sayama: First, as for taxes, as I have mentioned in the beginning, reducing tax rates does not necessarily mean reduction of tax revenue. In essence, tax rates can be reduced for designated industries expanding the universe of taxes, in turn increasing the overall tax revenue. This is something that I would like all to understand.

For promotion, in a nutshell, we need to attract attention. Then, what do we need to do to attract attention? The people at the top level from each area needs to come up with something innovative. As Mr. Yamaoka mentioned earlier, Tokyo has a vast amount of data. We can pick up a theme from there and give a very difficult homework. Then from the best one, we may need to involve the TMG, but can request for a proposal with a deadline. We can provide financial awards for the best one or say we will do something to attract attention. Naturally, should the results obtained from it are excellent, they would further lead to another.

Also, about the listing of class shares that was mentioned by Mr. Saito, I have been requesting this since more than ten years ago when Mr. Saito was with the Tokyo Stock Exchange. This has not progressed at all. This is something said to Mr. Suzuki and I think Mr. Suzuki understands this but while the stock exchanges don't admit this, companies that had difficulties elsewhere can publicly list in Japan. Listing of only class shares is demanded because people do not want to dilute their voting rights. If they learn

that those could be publicly listed in Japan, there is much demand. In sum, we need to do something different to attract interest.

Atsushi Saito: Yes, I agree.

Nobuo Sayama: And if I can add one more, about what to aim for. I think we should aim for something big because we are dealing with Tokyo. We shouldn't confine ourselves to Tokyo - we should go for the world.

Atsushi Saito: Yes, please go ahead.

Toru Suda: I just have one point. The FinTech Center can be located physically close but another important factor is how to exchange information. I believe there are 3 groups of players. Venture-type small to medium companies, large banks like megabanks and other neutral research institutes. Establishing a system for information exchange is important. I think they do that now too but there doesn't appear to be too much information exchange.

Atsushi Saito: Yes. The latter half has become very active. We have hit 55 minutes and though I may sound irresponsible but let us conclude here today. Everyone, thank you very much for the active comments. We will continue to request for presentations and receive comments until November when we finalize Advisory Panel's final proposal. We will need to narrow down by providing specifics and I would like to continue to request that you provide us active comments. Thank you very much for your valuable input today.

4 Closing

Yuriko Koike: Everyone, thank you very much. I was very much stimulated from your very active and specific proposals. As you say, Tokyo's growth prospects, all depend on demographic trends. We don't have anyone from the baby boom generation here but, by 2025, they will happily join the late elderly population and we have declining birthrates. We will need to understand how to cover for these demographic changes.

For that reason, I am trying to increase women's involvement and the necessary measures to reduce children waiting for nurseries. If we don't do it now, it will be too late. Mr. Suzuki was helpful up to now and we need to know how to utilize women's energy.

And, the way we work. From today, we have begun "JISA Biz". We will almost reach 300 companies that have concurred to this movement. There is no time difference involved so would like everyone to cooperate. This is like "Cool Biz". For new policies to penetrate, they need to be adopted nationally, all at once. If everyone begins this and all start to commute at 7am, trains will be crowded again. It would be helpful if people can disperse commute time or use telework and change the way we work. We should no longer compete with developing Asian countries to work long hours. We'd like to increase productivity and the TMG would like to initiate this.

Also, we would like to further specify Tokyo Metropolitan University, finance and the contents of the Financial Award which we received many comments on. The keyword was ESG and I was thinking that Tokyo will be the first municipal body to issue a green bond of Yen 20 billion this fall. When I think about this from an objective standpoint, Tokyo is extremely attractive with its safe and good environment and good food. There are people in the world who may or may not know this. From this standpoint, the city's promotion of not only finance, but also as a whole should be done. This is something that we have to do ourselves. We can't expect everyone to come once as there are 7 billion people. If that's the case, we will communicate. In addition, sometimes we may target communication.

I have had ties with Arab and when we think of wealthy Arab people, many imagine princes. There are however, many princesses. They are very rich. They wish to invest but cannot receive interest. There are however, many companies engaged in activities that are healthy, environment-friendly companies in Japan for investment. They just don't know it. There are fading traditional industries too but they are not aware of them. If we can communicate to them in a focused manner, we should be able to create a Win-Win situation.

Limiting information to within Japan doesn't get us anywhere so pinpoint marketing to the world is necessary. If we can meet the needs of investors and provide detailed information, we would be able to obtain funds not only from Japan but from the world. Therefore, I think it makes sense to appeal the ESG portion of the Financial Award.

Thank you for providing us very specific discussions today. I have worked less than a year so these discussions have been going on for less than a year. As for scheduling, I expect the advisory panel to finalize a summary by this autumn. TMG will then make practical proposals. There are things we can and cannot do. However, the more we are stretched, the more we are motivated. Thank you very much.

Atsushi Saito: Thank you very much. I would like to conclude today's meeting.

Sir Roger, thank you very much for your participation. Thank you.

Sir Roger Gifford: Thank you and have a good evening.

(End of the minutes)