

# ADVANCING JAPAN'S STATUS AS A GLOBAL FINANCIAL HUB

*A cross-ministerial effort for reform is underway to boost the attractiveness of the country's financial and capital markets. Here, an expert well-versed in the Japanese market speaks about her expectations toward Japan.*



Japan's financial and capital markets are now in the global limelight. That newfound centrality can be attributed to the Suga administration's cross-ministerial policy package, launched in order to create

an international financial center—a goal raised in the government's Action Plan of the Growth Strategy announced last year. Japan has the strengths to stand out as a financial center, including political stability, legal systems, public security, and a favorable living environment. In addition, its sizeable domestic economy, with a GDP of JPY 560 trillion (about USD 5.15 trillion), and financial assets held by households worth more than JPY 1,900 trillion (about USD 17.5 trillion), also strengthens Japan's appeal within the



Alicia Ogawa previously lived and worked in Japan for 15 years. "Japan was a wonderful place to live in. It's safe, beautiful, and the transportation is amazing."



Foreign firms interested in entering Japan are already using the services of the recently launched Financial Market Entry Office, which communicates with foreign asset management companies and helps them with the regulatory process. (ASO Taro, Minister of State for Financial Services, on the left, and AKAZAWA Ryosei, State Minister for Financial Services, on the right)

## Policy package through cross-ministerial collaboration

<b>Tax policy</b>	<ul style="list-style-type: none"> <li>✓ Revision/clarification of corporate, inheritance, and income tax</li> </ul>
<b>Regulatory policy</b>	<ul style="list-style-type: none"> <li>✓ One-stop English service for application and registration for newly entering overseas asset managers</li> <li>✓ Introduction of simplified market entry procedures for overseas asset managers</li> </ul>
<b>Residence status</b>	<ul style="list-style-type: none"> <li>✓ Special immigration measure for newly entering asset managers as a temporary visitor to commence business without returning to their home country</li> <li>✓ Relax employment requirements for domestic helpers and increase convenience for working spouses for Highly-Skilled Professionals</li> </ul>
<b>Company setup and livelihood support</b>	<ul style="list-style-type: none"> <li>✓ One stop company setup support for free</li> <li>✓ Livelihood support such as international school hunting, medical matters, and housing</li> </ul>
<b>Information sharing</b>	<ul style="list-style-type: none"> <li>✓ Collectively share related policy measures information through a dedicated website and contact points of diplomatic missions</li> </ul>

asset management business.

Alicia Ogawa, director of the Project on Japanese Corporate Governance and Stewardship at Columbia Business School, who worked at a Japanese financial institution for 15 years, and is an expert on the Japanese economy and Asia's financial markets, says, "Japan has been saddled with issues such as language barriers—particularly in terms of offering administrative services in the English language—as well as high tax rates and a shortage of workers with professional skills. Many past initiatives have attempted to tackle these issues, but I believe that the earnest efforts Japan is currently making are different. We can see that Japan is now seriously committed to becoming an international financial center. Expectations toward Japan's financial and capital markets are also growing among foreign investors."

The government is actively working to resolve the issues that she mentions through its cross-ministerial policy package. Initiatives are underway to remove regulatory and taxation-related bottlenecks in order to make it easier for foreign businesses and professionals already engaging in asset management business abroad to do the same kind of business in Japan. Other initiatives include improvements in the residence-visa application process and the provision of comprehensive support for those wishing to set up companies and ease into life in Japan. Ogawa especially commends the Financial Market Entry Office, which was launched in January 2021. This office serves as a single point of contact for newly entering asset management firms that require English communication with

respect to pre-application consultation, registration, and supervision. In March, a dedicated website was launched that provides information on business setup, related policy, and daily life support for foreign financial businesspeople considering entering Japan or establishing a life there (<https://www.fsa.go.jp/internationalfinancialcenter/en/>).

According to Ogawa, "There has been a major change regarding better dialogue between investors and companies on account of broad acceptance of the corporate governance code compiled by the Financial Services Agency and the Tokyo Stock Exchange. Interest in Japan as an investment destination is growing significantly; that is due to expectations surrounding the growth of the Japanese economy and innovations, as well as to the rise of young and ambitious talent."

She also proposes ways in which the country can aim even higher. "Japan needs to make further advancements in digitalization—an area that the Suga administration is stepping up efforts to promote. And, above all, it is essential to raise public sentiment for society as a whole to welcome foreign asset management companies and financial talent. To that end, disseminating information both within and outside Japan is an important endeavor for related ministries and agencies."

Initiatives to realize an international financial center have just begun. Japan will actively implement each measure designed to boost Japan's economy and strengthen its presence in the global financial market. ●