

Immediate Measures for Attracting Foreign Financial Companies

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Tokyo Metropolitan Government

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※ Items noted as “New” or “Expanded” will be newly implemented in FY 2017

1 *Importance of attracting foreign financial institutions*

Economic growth by revitalizing the asset management industry and boosting FinTech

① Stable asset formation for the Japanese people (people of Tokyo)

(Challenges to address)

**Increasing options available in Japan for the management of individual assets, both in terms of quality and quantity
(= Growth of the asset management industry)**

② Support new approaches to attracting capital to augment the existing financial system

(Challenges to address)

Developing asset management industry investments of risk capital into growth industries

③ FinTech as a new business enabler

(Challenges to address)

Developing FinTech to deliver new solutions to challenges of ① and ②



The promotion of asset management and FinTech is vital to the economic growth of Japan and Tokyo

The importance of attracting asset management companies and FinTech companies from abroad

Importance of attracting asset management companies

- For the revitalization of the Japanese economy, it is important to rejuvenate the financial sector, **which supplies the capital that forms the foundation of the economy, especially asset management services, which play a key role in stable asset formation and provision of risk capital to growth industries.**
- In order to achieve this goal, it is necessary to **expand both in quantity and quality Japan's asset management industry,** which is smaller than that of other developed countries, in order **to promote competitiveness of this industry.** Specifically, **we need to urgently attract asset management companies and highly skilled professionals from abroad,** in addition to **nurturing our domestic asset management businesses and managers.**
- By gathering asset management firms and professionals, **offering a wide variety of high-quality asset management products to the people of Tokyo and Japan, and providing abundant funding to Tokyo's growing sectors,** we will make Tokyo a global financial city that attracts people, capital, and information from around the world.

Importance of attracting FinTech companies

- To raise the level of **financial services and develop growth industries** in Japan, it is crucial to develop FinTech, which goes beyond the financial services sector **to offer new business approaches in a variety of sectors.**
- In order to advance the growth of FinTech in Japan, we not only need to provide risk capital to FinTech companies but also must attract **talent from abroad who can enable innovation.**
- It can be anticipated that Tokyo's economy as a whole will be revitalized **if financial costs are reduced by attracting such talent and advancing the integration of finance and IT.**
- In addition, by leveraging FinTech to develop a new framework **for smoother financing of new growth areas and existing small and mid-size enterprises,** development across a broad range of industries can be expected.

2 *Immediate Measures for Attracting Foreign Financial Companies*

Overview of the immediate measures

Foreign financial institutions will be given detailed support at each stage of setting up business in Japan from before entry to actual launch of operations.

1. Study on feasibility of business establishment in Japan
2. Development of a business plan
3. License registration/ preparation for the establishment of an office in Tokyo
4. Launch of business

I Attracting foreign financial institutions

- 1 **Activities by TMG**: Free consultation including market research, business plan development, and preparations for license registration. New
- 2 **Accelerator program (program to accelerate business establishment)**: Support match-ups between the superb advanced technologies of foreign FinTech companies and the needs of domestic financial institutions, etc. New
- 3 **Public-private financial promotion activities**: Study international promotional activities through the collaboration of the public and private sectors New
- 4 **Revise the inheritance tax**: Revise how overseas assets taxes are levied when an expat passes away in Japan or his/her family member has died overseas. New

II Support for business establishment procedures after entry to Japan

- 1 **Enhance consultation services for financial businesses**
 - **Launch a financial one-stop support service**: Experts provide information on complicated procedures in line with laws regulating finances (by collaborating with the FSA consultation desk) New
 - **Expand services provided by “Tokyo One-Stop Business Establishment Center”**: Allow filing in English and establish a satellite center Expanded
 - **Establish an FSA central consultation desk**: FSA to establish a consultation desk for foreign asset managers and asset owners New
- 2 **Compile an English manual**: Prepare a manual on registration procedures etc. (Supervised by FSA) New

III Utilizing the National Strategic Special Zone scheme to develop the living environment

- 1 **Accepting foreign housekeeping staff**: Expand the actual number of foreign housekeepers coming to Japan under the special provision (approved in September 2016)
- 2 **Special provision on status of residence to attract highly skilled financial professionals**: Ease requirements for added points in the points-based system for highly skilled professionals to allow them to bring housekeepers, etc., with them.
- 3 **Special provision for foreign doctors**: Enhance the special provision for foreign doctors (already started at St. Luke's MediLocus from September 2016)
- 4 **Attract international schools to the area around Tokyo Station and Toranomon**: Support attraction of international schools with high-quality educational programs

Matters for future study

- | | |
|---|--|
| ✓ Revise the tax system | ✓ Nurture asset management businesses |
| ✓ Revise various regulations | ✓ Enhance investment education and the nurturing of talent |
| ✓ Prepare an English speaking environment | |

I Attracting foreign financial institutions

1 Activities by TMG

New

Activities to attract foreign financial institutions will be launched from FY 2017.

Area for implementation	All areas across Tokyo	Target companies	Asset management companies and FinTech companies
Goal	To attract more than 40 companies within 4 years (From FY 2017 through FY 2020)		

Programs to attract foreign financial institutions (free consulting)

- ✓ Launch activities by utilizing the knowhow of private operators familiar with overseas networks and the overseas financial industry.

Select important target areas

- Select the priority target areas in a strategic manner.

Confirm the possibility of investment in Tokyo

- List companies that have the possibility of investing in Tokyo, and start approaching them individually.

Accept requests for support

- Provide support in preparing business plans, opportunities for matchups between candidate companies and domestic institutional investors, and support preparations for filing with FSA.

Decision-making on investment in Tokyo

Office establishment subsidy for foreign financial institutions

- ✓ Promote establishment of offices by providing a subsidy for the following expenses related to opening an office.
 1. Fees to file registration application to FSA and fees for consulting with experts concerning legal matters, taxes, etc.
 2. Expenses related to hiring full-time staff

Financial one-stop support service

- ✓ “Business Development Center TOKYO” in Marunouchi will provide consultations for procedures in line with financial laws, and for living in Japan. It will also provide necessary information and advice for nurturing talent.
⇒ Please refer to slide 11 for details.

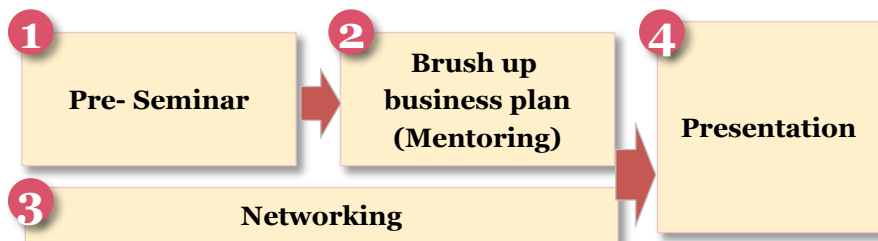
I ***Attracting foreign financial institutions***

New

2 ***Accelerator program (program to accelerate establishment of business)***

The accelerator program will be launched from FY 2017 with the aim to attract foreign companies to Tokyo and to also help raise the productivity of companies in Tokyo by promoting interactions between foreign companies possessing advanced technologies and superb business models, and domestic companies.

Contents of the Program



- ✓ Call out to foreign companies interested in setting up business in Tokyo
- ✓ Brush up their business plans under the mentorship of companies in Tokyo, etc. (for 2-3 months)
- ✓ Present the business plans at sessions attended by the media and investors.

Assumed districts and industrial fields

Otemachi/
Kabutocho

FinTech

- ✓ Foreign FinTech companies and financial institutions (banking/insurance/securities etc.)

Roppongi/
Toranomon

IT

- ✓ Foreign companies in the fields of AI/Big data, and companies in the IT field

Description of support

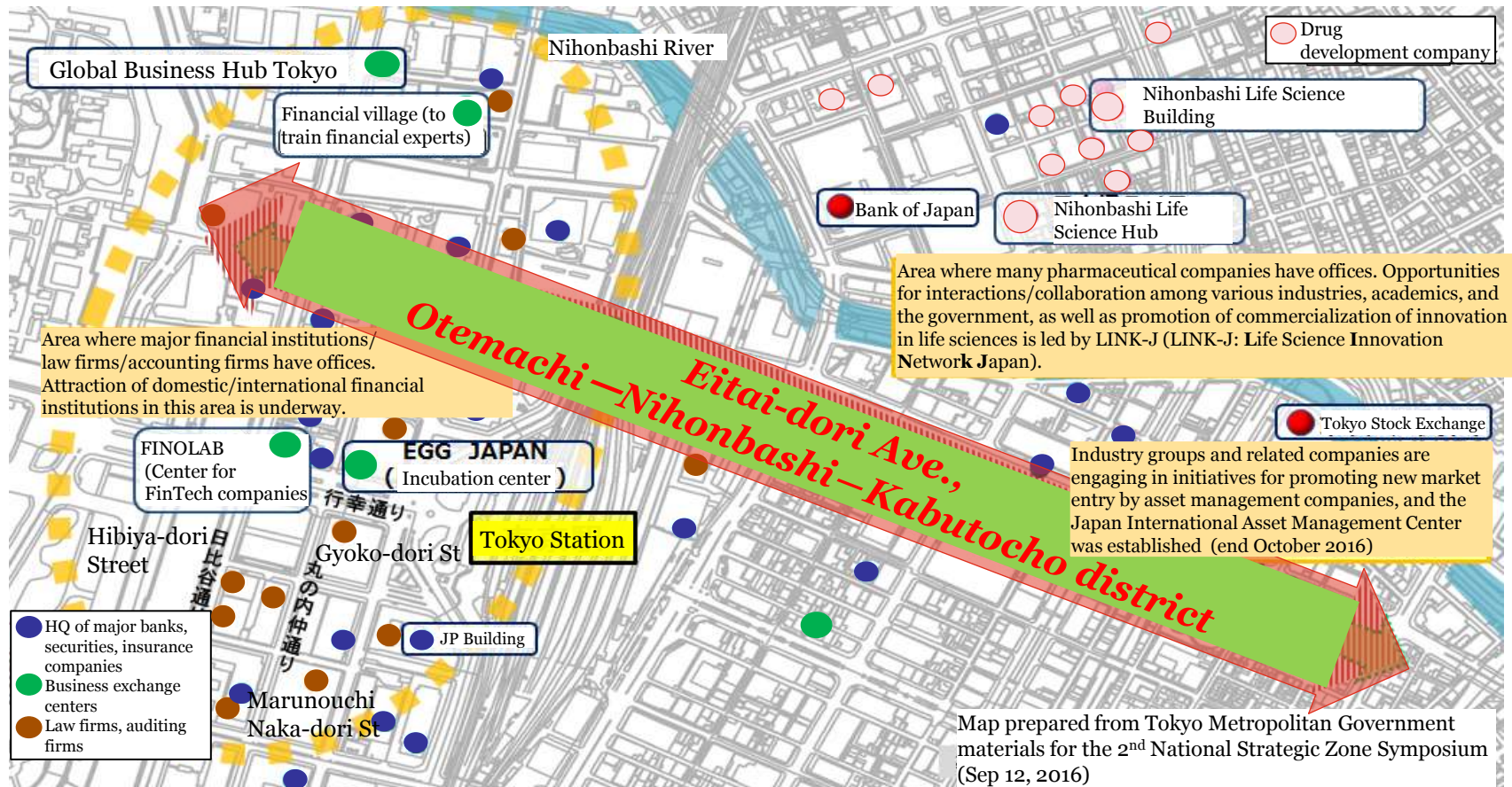
- 1 Hold seminars to promote understanding of the Japanese market environment including business practices and laws.
- 2 Includes support for the development of business plans based on the characteristics of the Japanese market, mentoring on domestic regulations, etc., and introduction of partner companies.
- 3 Support the building of networks with potential customers, partners, competitors, etc.
- 4 Hold sessions for presentations by participating foreign companies to promote collaboration with Japanese financial institutions and investors, etc.,

I Attracting foreign financial institutions

New

3 Promotional activities by public-private collaboration

There are many private sector-led initiatives underway in a variety of areas including FinTech in the financial district stretching from Otemachi, Nihonbashi, to Kabutocho. Boosting such initiatives will help promote the financial industry, reinvigorate the Japanese economy and strengthen urban competitiveness. To that end, stakeholders will together conduct studies on the ideal form of a public-private promotional organization involving the Tokyo government and the national government in order to bolster promotional activities to gather financial firms and professionals from abroad, with a conclusion to be reached by the end of 2017. The study will be conducted by also including in its perspective the form and expansion of the Japan International Asset Management Center (JIAM), made up of domestic financial organizations and related companies, etc., and the establishment of a Tokyo version “Lord Mayor” system.



I Attracting foreign financial institutions

4 Revision of inheritance tax

New

It is expected that the following international inheritance tax issues, which have been obstacles to attracting highly skilled foreign professionals to Japan, will be solved.

(To be applicable to inheritance tax for assets inherited from April 1, 2017)

Issue	Before revision	After revision
① An expat in Japan passes away	Tax is levied on all assets around the world (including assets in Japan and the home country) of the expat who died in Japan.	If certain conditions are met by the expat ※ ¹ , tax will be levied on domestic assets only.
② A family member of an expat in Japan passes away in a foreign country	Tax is levied on all assets around the world of the family member who died abroad.	If certain conditions are met by the expat ※ ² , tax will be levied on domestic assets only.

※¹ Must have the status of residence of Appended Table 1 of the Immigration Control and Refugee Recognition Act.

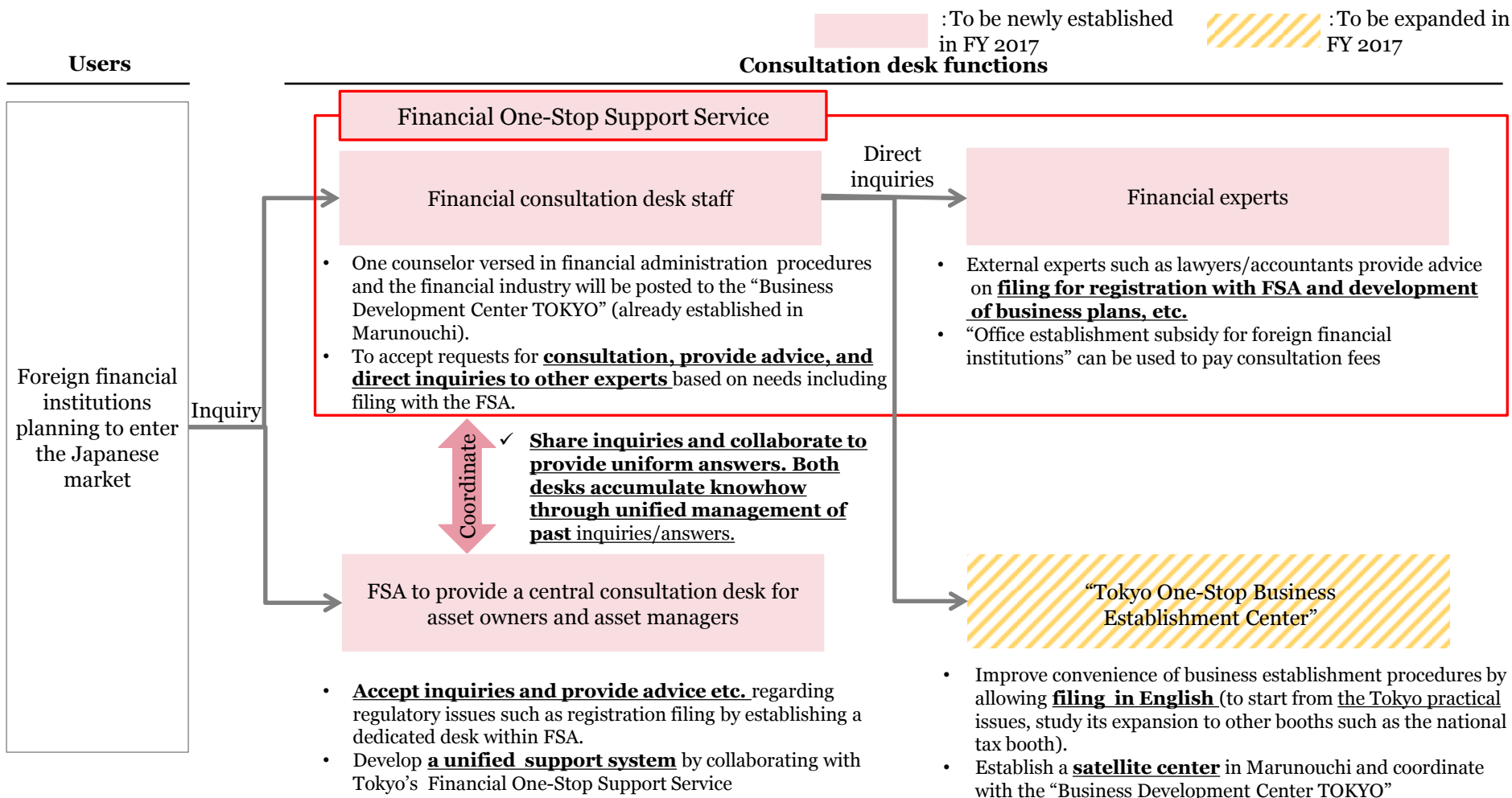
※² The total number of years of residence in Japan must be 10 years or less within the past 15 years.

II Support for business establishment procedures after entering Japan

1 Enhance consultation services for financial businesses

New/Expand

Along with launching the financial one-stop support service in FY 2017, the functions of the existing “Tokyo One-Stop Business Establishment Center” will be expanded.



II Support for business establishment procedures after entering Japan

2 Compile English manuals

New

English manuals will be prepared to facilitate smooth entry into the Japanese market by overseas financial institutions. (To be released in the 1st half of FY 2017 with the cooperation of industry groups, and supervision by FSA). They will provide easy-to-understand explanation on Japanese finance related laws/regulations and the procedures for registration as financial instruments business operators, together with the introduction of past achievements and case studies.

<u>Contents (Tentative)</u>	<u>4-5 page version</u>	<u>20-30 page version</u>
1. Overall picture of what needs to be done up to the launch of a financial instruments business in Japan <ul style="list-style-type: none"> ✓ List of required registration application procedures by type of business ✓ Outline of registration application procedures 	✓	✓
2. Flow of procedures up to the start of operations <ul style="list-style-type: none"> ✓ Procedures with FSA, Kanto Local Finance Bureau, and industry groups 	-	✓
3. Conditions required for various procedures <ul style="list-style-type: none"> ✓ Requirements by type of registration application, and case examples <ul style="list-style-type: none"> - Type 1 and 2 Financial Instruments Business Operators - Investment management business - Investment advisory/agency business - Investment management for qualified investors - Exception for special businesses such as qualified institutional investors 	-	✓
※Reference: Overall procedures for setting up business in Japan and other relevant sources of information	✓	✓

III Utilizing the National Strategic Special Zone scheme to develop the living environment

1 Accepting foreign housekeeping staff

Foreign housekeeping staff will be important in easing the living burdens of foreign financial professionals in Japan. The system allowing the acceptance of foreign domestic workers to Japan, which was approved by the government in September 2016, will be utilized.

Contents

The following special measures will be implemented in the special zone

- ✓ Status of residence granted to foreign housekeepers under the oversight of the national/ and local governments.
- ✓ Allow companies approved by the national and local governments to employ housekeepers and provide services.

Description

- | | |
|--|--|
| <ul style="list-style-type: none">✓ Implementation area<ul style="list-style-type: none">• All areas in Tokyo✓ Scope of services<ul style="list-style-type: none">• Cooking, laundry, cleaning, shopping, looking after children, etc.✓ Requirements for foreign housekeepers<ul style="list-style-type: none">• Must be 18 or older with at least 1 year of job experience• Completed given training at the country ✓ from where they sent• At least a minimum level of Japanese language ability | <ul style="list-style-type: none">✓ Employment conditions<ul style="list-style-type: none">• Direct employment on a full time basis• Compensation should be equal to or more than that paid to Japanese for the same job• Housekeeping activities to not exceed 3 consecutive years• Housing to be prepared by the hiring institution✓ Schedule<ul style="list-style-type: none">• Operators will be selected one by one, with services to be launched during FY 2017. |
|--|--|

III Utilizing the National Strategic Special Zone scheme to develop the living environment

2 Special provision on status of residence to attract highly skilled financial professionals

Requests will be made to the government to ease restrictions on residence status acquisition and accompanying housekeepers and parents, which pose obstacles to attracting financial professionals of foreign asset management companies and Fintech companies to Tokyo, with the goal of achieving this in FY 2017.

Initiative	① Ease requirements for added points in the point-based system for highly skilled professionals	② Ease conditions for accompaniment of housekeepers/parents
Issue to Address	Regarding the existing point system for highly skilled professionals, need to make it easier for financial professionals to obtain the required 70 points.	Housekeepers and parents can accompany people who have been granted status as highly skilled professionals, but the strict conditions for accompaniment need to be addressed.
Details	<ul style="list-style-type: none"> ✓ For business operators authorized by the Tokyo Metropolitan Government, add special points (+ 10 points, and +20 points for SMEs) to make it easier to get the 70 points necessary for certification as a highly skilled professional Case 1 : Corporate managers, etc. , who were highly appraised at matching events between foreign FinTech companies and domestic companies, etc. Case 2 : Fund managers of asset management companies whose performance levels are above a certain standard 	<ul style="list-style-type: none"> ✓ Ease conditions for an accompanying housekeeper , such as: <ul style="list-style-type: none"> • Ease the condition “Have a child younger than 13 years old or a spouse who cannot engage in household chores due to illness, etc.” • Ease the limit on number of housekeepers (1 person -> several people) • Ease compensation (JPY 200,000/month or more) that needs to be paid to them ✓ Ease conditions for accompanying parents, such as: <ul style="list-style-type: none"> • Ease the condition of “(accompanying parents) limited to those assisting a pregnant woman or taking care of children under 7 years old”
Future policy	③ In addition to requirements such as annual salary, which are the main considerations in the point system for highly skilled professionals, requests will be made for revisions of the system that focus on future potential of the business, such as past achievements in business startups, business plans, and financial strength to support implementation.	

III Utilizing the National Strategic Special Zone scheme to develop the living environment

3 Special provision for foreign doctors

Difficulty in receiving medical services in their native language can be raised as an obstacle for highly skilled financial professionals living in Japan. This challenge will be addressed through the special ordinance for foreign doctors, which was approved in June 2015.

Aim

Currently, foreign doctors from the US, UK, France, and Singapore are granted a license to practice in Japan if they pass the English language version of Japan's national examination for physician's license, but they can only treat people of their own nationality. This special provision will broaden the range of patients these foreign doctors can treat, and will improve the system for provision of healthcare to foreigners in Japan.



Content

In a medical institution in the special zone, foreign doctors will be able to treat not only patients of their own nationality, but foreign nationals in general.

Current situation of system implementation

- ✓ St. Luke's International Hospital (Chuo-ku) and St Luke's MediLocus (Chiyoda-ku) have been providing such medical services from September 2016 【First in Japan】
- ✓ Information has been sent to the foreign embassies. Publicity activities are scheduled to be held, such as promotional activities at hotels with many foreign guests and placement of ads in guidebooks.

III Utilizing the National Strategic Special Zone scheme to develop the living environment

4 Attract international schools to the area around Tokyo Station and Toranomom and Toranomom

In the projects in the Tokyo Station and Toranomom areas, with the aim to attract schools with high quality educational programs that are accredited by international institutions*¹ or foreign governments, private developers are currently holding talks with candidate schools.

Yaesu 2 chome area project

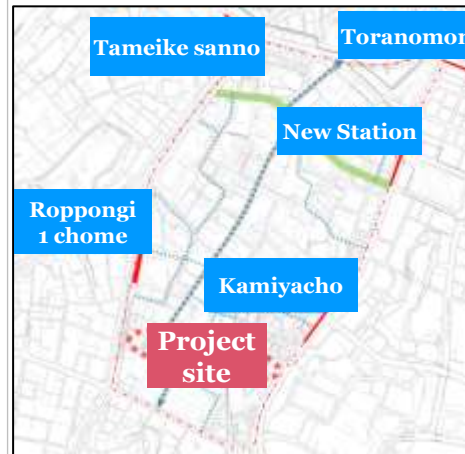
Plan overview



- Establish an international school with about 7,700 m² of space on the lower floors of a building connected to Tokyo Station.
- Provide high quality education through programs accredited by the International Baccalaureate and other such institutions
- Generate opportunities for international exchange by partnering with schools and facilities in the surrounding areas

Toranomon-Azabudai project

Plan overview



- Build one of the largest international schools in Tokyo with an area of about 14,000 m².
- Also build a 1,800 m² school ground, a large area that is difficult to secure in central Tokyo
- Provide high quality education through a curriculum similar to the foreign resident's own country

These initiatives will be supported in collaboration with related local municipalities, as themes to follow by the Joint Secretariat for Promotion of the Tokyo Special Zone. (Includes coordination with local municipalities to resolve issues such as easing of floor area ratios and special zone tax systems)

*¹ Accreditation by international institutions: International Baccalaureate (IB), Association of Christian Schools International (ACSI), Western Association of Schools and Colleges (WASC), Council of International Schools (CIS)

3 *Matters for Future Study*

Matters for future study

Based on exchange of views at the Meeting to Discuss the Attraction of Foreign Financial Companies to Tokyo, fundamental studies will be conducted on the following subjects by utilizing the “Advisory Panel for Global Financial City Tokyo” and other such opportunities.

Subject	Challenges to Address
Revising the tax system	✓ Verify if <u>corporate and individual taxes</u> pose any cause for obstructing activities by foreign financial institutions and personnel in Japan, from a broad perspective that considers trends in other countries, etc.
Optimizing regulations	✓ Advance studies on <u>the possibility of revising various financial regulations, and the firm establishment of fiduciary duty</u> from the perspective of encouraging foreign financial firms to set up business in Japan.
Building an English language environment	✓ Advance studies on building an English language environment that will make activities by financial institutions and professionals from abroad easier. This will include translating <u>laws, etc., into English and enabling consultations and filing of applications, etc., in English at various desks.</u>
Cultivating asset management companies	✓ Conduct studies on the possibility of introducing an <u>“Emerging Managers Program” to promote provision of seed money and generating opportunities to match up asset management companies and institutional investors etc.</u> with the aim of boosting new and small to medium-sized asset management companies etc.
Enhancing investment education and the nurturing of talent	✓ Conduct studies on enhancing both <u>financial literacy education</u> , which will help raise public knowledge on investment, etc., and <u>high-quality education focused on finances</u> to help train future asset managers from the early stage.