

Grant Outline for the Overseas Financial Corporation Business Establishment Subsidy Program

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1 April 2019
31 Sensentoku No. 42
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2 Sensentoku No. 58
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(Purpose)

1. The purpose of this Outline is to promote efforts to attract Overseas Financial Corporations by granting subsidies to Overseas Financial Corporations to cover a part of the costs incurred in establishing new businesses in Tokyo.

(Definition of Terms)

2. In this Outline, the meanings of the terms listed in the following items shall be prescribed respectively in those items.
 - (1) Overseas Financial Corporations
Corporations established based on foreign laws concerning the operation of asset management businesses or FinTech businesses
 - (2) Japanese Corporations, etc.
Japanese corporations or branch offices established by Overseas Financial Corporations
 - (3) Establishment of Operations
The act of establishing a Japanese Corporation or branch office by an Overseas Financial Corporation that satisfies all the following criteria.
 - a. Secure a facility to be used as the place of exclusive business operations
 - b. Register the establishment of an incorporated company or office of an overseas company in accordance with the Commercial Registration Act
 - c. Secure the necessary employees who will work full-time
 - d. Start the operation of the main business. In cases where it is necessary to register the license for a financial instrument business, etc. before starting operation of the main business, register and acquire the license in question.
 - (4) Base of Asset Management Operations
A site where asset management operations are conducted, such as investing funds entrusted by investors
 - (5) Sales and Marketing Base
A site where marketing and sales activities related to the products and services offered by the company are conducted
 - (6) Research and Development Base
A site equipped with the necessary functions for conducting research and development activities such as industrialization through activities ranging from research on industrial

technology to the development of applications, manufacturing of prototypes, and product testing.

(7) Full-Time Employees

Employees for whom one of the following two criteria are applicable.

- a. Persons who are employed for an indefinite period.
- b. Persons who have been continuously employed for a year or more in the past, or persons who have worked continuously for a year or more since their hiring (persons who are employed for a fixed period of time, or are employed daily, and their employment contract period is repeatedly renewed are recognized as equivalent to item a.).

Employees shall be covered by employment insurance.

(8) Offices, etc.

In addition to regular offices, spaces in which work can be performed, such as individual share offices

(9) Business Development Center Tokyo

Institute established by the Tokyo Metropolitan Government to provide support for the business of foreign corporations, etc. and their expansion into Tokyo

(10) Business Support Services Application Form

Document submitted to the Business Development Center Tokyo by foreign corporations, etc. to request business support services

(11) Fiscal Year

Period from 1 April of a year to 31 March of the following year

(12) Associations

Self-regulatory organizations (under the Financial Instruments and Exchange Act)

(Parties Eligible for Subsidies)

3. Japanese Corporations, etc. established in Tokyo in the same Fiscal Year when the Overseas Financial Corporation submits the application for the subsidy are eligible for subsidies under this Subsidy Program. If the license registration of Financial Instruments Business, etc. is required for the start of the primary business, the application procedures for such license (this means prior consultation with the government or municipal office with jurisdiction over the license application procedures) must have been started.

2) The parties eligible for subsidies must fulfill all the following criteria.

- (1) Before determining plans of the Establishment of Operations, the Overseas Financial Corporation shall submit the Company Overview (For Advance Consultation) (Form 1) to the Tokyo Metropolitan Government, and engage in advance consultation to provide an explanation of the plans, such as an outline of the said business operations. The advance consultation with the Tokyo Metropolitan Government is carried out after submission of the Business Support Services Application Form to Business Development Center Tokyo, and consultation with the Business Development Center Tokyo about the contents of the plan, such as an outline of the business operations.
- (2) The Overseas Financial Corporation has not established any business operations in Japan prior to the Establishment of Operations eligible for this Subsidy Program.
- (3) Carries one or more of the following functions under its main business. If the license registration of Financial Instruments Business, etc. is required to start the primary business, and the license registration has not been completed within the fiscal year when the grant is awarded, the primary business must be started by the end of the fiscal year following the

fiscal year when the grant is awarded.

a. Asset management business operator

Base of Asset Management Operations or Sales and Marketing Base, etc. that is recognized by the Tokyo Metropolitan Government as having the potential to contribute significantly to the revitalization of Tokyo's economy.

b. FinTech corporation

A Research and Development Base or Sales and Marketing Base, etc. that is related to the provision of innovative financial services using IT technology, and that is recognized by the Tokyo Metropolitan Government as having the potential to contribute significantly to the revitalization of Tokyo's economy.

(4) Has one or more Employees in full-time employment at the Japanese Corporation, etc.

(5) Has an investment amount ratio of 1/3 or more from an Overseas Financial Corporation.

(6) Has not received support from Subsidies for Attracting GX-related Companies, the Business Establishment Subsidy Program, or the Subsidy to Support Overseas Financial Corporations in Priority Fields.

3) The Overseas Financial Corporation and the Japanese Corporation, etc. must fulfill all the following criteria.

(1) Are not in violation of any laws or ordinances, etc.

(2) Have no delinquent taxes.

(3) Are not in violation of the terms of any contracts made with public offices, etc.

(4) Are not corporations that have the possibility of threatening public safety or well-being.

(5) Are not corporations whose business objectives include political, religious, or election campaign-related activities.

(6) Are not Organized Crime Groups (an Organized Crime Group as stipulated in item (ii) of Article 2 of the Tokyo Metropolitan Ordinance for Eliminating Organized Crime Groups (Tokyo Metropolitan Government Ordinance No. 54 of 2011; hereinafter referred to as "Organized Crime Elimination Ordinance")), and do not have an Organized Crime Group Member, etc. (a member of an Organized Crime Group as stipulated in item (iii) of Article 2 of the Organized Crime Elimination Ordinance, or someone related to an Organized Crime Group as stipulated in item (iv) of the same Article) among the representatives, executives, Employees, or other members of the corporation.

(7) Do not have past businesses or other concerns that the Tokyo Metropolitan Government deems unsuitable as a company eligible for subsidy.

(Expenses Eligible for Subsidy)

4. Of the expenses required for the establishment of business operations, the subsidy covers the following expenses (hereinafter referred to as "Expenses Eligible for Subsidy") that are deemed as necessary and appropriate by the Governor of Tokyo, within the scope of the budget. However, this excludes fees equivalent to consumption tax and local consumption tax, payments to governmental offices, and other fees that do not come under provision of services, as well as expenses that are eligible for other public subsidies or grants.

(1) Fees incurred in consultation with experts

Fees paid to experts (lawyers, administrative scriveners, tax accountants, licensed social

insurance consultants, etc.) for services such as consultation on acquisition of registration and license for engaging in the financial instruments business and legal/tax matters, and drafting and submission of materials.

(2) Personnel recruitment costs

Fees paid to a fee-charging employment placement business provider, as defined in Article 30(1) of the Employment Security Act, for the introduction of personnel during the establishment of business operations, or to a fee-charging employment placement business provider from overseas for the employment of full-time personnel at the said business operations for one year or more.

Overseas fee-charging employment placement business providers that are eligible must be providers for which notification/permission/declaration, etc. have been accepted by the national/local government, etc. of the business provider in question.

(3) Initial expenses for moving into an office

Key money, admission fees, and other moving-in, non-refundable costs that must be paid when securing offices in Tokyo that are necessary for executing the primary business.

(4) Association admission fee and annual membership fee

Admission fee and annual membership fee for membership of a single Association. The admission fee and annual membership fee for joining the Association. However, expenses eligible for subsidies are limited to 500,000 yen.

(5) Expenses for outsourcing compliance work

Expenses for an outsourcing contract with a single support provider for compliance work, etc. (limited to the fixed-amount portion of the contract, such as monthly or annual fees).

(6) Expenses for outsourcing middle and back office work of the asset manager, system-related expenses, etc. (excluding those paid by the fund).

(a) Expenses for outsourcing back office work, etc.

Expenses for outsourcing work to perform all or part of the middle and back office operations (*2), such as trade matching, asset management, valuation and preparation of investment-related materials, or related operations or costs associated with licensing agreements for systems used in the performance (limited to fixed-price contract components such as monthly and annual fees *1) with a single investment management outsourcing company.

(b) System-related expenses

Expenses related to a license agreement with a system company for a system to distribute market information on securities, etc., as appropriate, or a license agreement for a system to evaluate securities holdings, etc. (limited to the fixed-amount contract portion such as monthly or annual fees *1).

*1) Periods of less than one month will be calculated by allocating the number of days proportionally.

*2) Middle and back office work

<Daily processing>

(a) Additional issues, cancellation processing

(b) Cash flow management and reconciliation

(c) Position management

(d) Surplus fund management

(e) Securities attribute management

- (f) Execution processing for securities, exchange, futures, etc.
- (g) Dividend, interest, and rights processing
- (h) Instructions to trust banks and custodians
- (i) Instructions for exercising voting rights
- (j) Margin management
- (k) Processing of mother fund transactions
- (l) Market value registration and communication
- (m) Reconciliation of balances, etc.
- (n) NAV per share calculation and reconciliation
- (o) NAV per share external communication
- (p) Calculation of various expenses
- (q) Investment trust transfers at Japan Securities Depository Center, Inc. (JASDEC)
- (r) Reconciliation of the number of units issued

<Settlement of accounts and redemption processing>

- (s) Reconciliation of daily account
- (t) Calculation and posting of various expenses and fees
- (u) Dividends-related operations
- (v) Reconciliation of settlement of accounts and redemption
- (w) Fund audit support services

<Other operations>

- (x) New fund setup procedures
- (y) Fund attribute management
- (z) Performance risk analysis
- (a') Monthly balance reconciliation
- (b') Schedules on reconciliation of account settlement
- (c') Reporting to The Investment Trusts Association, Japan and the Bank of Japan
- (d') Reporting to distributors
- (e') Preparation of statutory reports
- (f') Preparation of investment reports
- (g') Preparation of business reports (related to asset management)
- (h') Preparation of various reports
- (i') Compensation billing
- (j') Sending and registration reports, etc.

Items (4) to (6) above apply only to asset management companies that require and have obtained a license registration for financial instruments business, etc., in order to conduct their main business.

2) The aforementioned expenses are eligible for the subsidy when they are paid for by the Overseas Financial Corporation and the Japanese Corporation, etc. that received services during the period when the following requirements were met.

- (1) Must be after the date of advance consultation with the Tokyo Metropolitan Government, as listed in 3.2.1
- (2) From April 1 of the fiscal year for which the subsidy was applied for, until the subsidy grant application.

(Amount of Subsidy)

5. The subsidy for one company is limited to one-half of the eligible expenses, and the maximum

subsidy amount is as follows

- (1) Asset managers who are required to register a license for trading in financial instruments, etc., in order to conduct their main business and have obtained the registration.

12,500,000 yen

- (2) Asset managers and FinTech companies other than (1) above

7,500,000 yen.

2) The calculated amount of subsidy is rounded off to the nearest 1,000 yen.

(Subsidy Application)

6. Japanese Corporations, etc. wishing to receive the subsidy (hereinafter, “subsidy applicant”) shall verify the contents of this Outline and other provisions set forth in the Application Guidelines. Immediately after the establishment of business operations, the subsidy applicant shall submit the Company Overview (Form 2), Subsidy Application Form (Form 3), Pledge (Form 4), together with the following attachments, to the Governor of Tokyo.

Each Overseas Financial Corporation may submit an application for subsidy only once.

[Universal]

- (1) Documents that can confirm the name of the representative of the applicant (representative in Japan in the case of a branch office) (certified copy of commercial registration, etc.)
- (2) Documents that can confirm the address of the applicant (certified copy of commercial registration, etc.)
- (3) Documents that can confirm the shareholder composition of the applicant (registry of main shareholders, etc.)
- (4) Documents that enable the authentication of the seal, etc. used by the applicant (certificate of seal impression, etc.)
- (5) Documents that can confirm the business performance of the Overseas Financial Corporation in the past two years (financial statements, etc.)
- (6) Documents that can confirm the business plans for the applicant concerning each Fiscal Year, in the Fiscal Year of establishment and the following two Fiscal Years
- (7) Documents that can confirm the contents of the business property, lease term, rent, payment terms, etc. (lease agreement, etc.)
- (8) Documents that can confirm the employment of one or more Employees by the business (employment contracts, etc.)
- (9) Documents that serve as grounds for the sum of expenses filed for the application (receipts, etc.)
- (10) Other documents deemed necessary by the Tokyo Metropolitan Government

[Expenses incurred in consultation with experts]

- (11) Documents that can confirm the contents, frequency, period, etc. of the consultations

[Expenses incurred in personnel recruitment]

- (12) Documents that can confirm the employment of Employees, in relation to the subsidy, for one year or more (employment contracts, etc.)
- (13) In cases where a fee-charging employment placement business provider overseas is used, documents that can confirm that notification/permission/declaration by the business operator in question have been accepted by the national/local government of the business in question

[Initial expenses for moving into an office]

- (14) Documents that can confirm the reservation of the office, etc. in relation to the said expenses (lease agreement, etc.).

[Association admission fee and annual fee]

(15) Documents that can confirm the association membership details (admission fee, annual membership fee, etc.).

[Expenses to outsource compliance work]

(16) Documents that can confirm the content, duration, results, etc. related to the outsourcing work (outsourcing agreement, minutes, reports, etc.)

[Outsourcing fees for middle and back office work of the asset manager, etc.]

(17) Documents that can confirm the content, duration, results, etc. related to the outsourcing work, etc. (outsourcing contract, minutes, reports, etc.)

[System-related expenses]

(18) Documents that can confirm the content, duration, results related to the system-related work (agreement, reports, etc.)

2) If any of the aforementioned documents have been prepared in a language other than Japanese or English, please attach a translation in Japanese or English.

(Decision to Grant Subsidy)

7. The Governor of Tokyo shall decide to grant the subsidy if it is deemed that the application has been properly filed in accordance with item 6. above, and it is appropriate to grant the subsidy

2) Once the decision has been made to grant the subsidy in accordance with the aforementioned provisions, the subsidy applicant shall be notified promptly on the amount of subsidy and other necessary matters through the Notification on Decision to Grant Subsidy (Form 5).

3) Upon granting of the subsidy, necessary conditions may be placed on the applicant.

4) If a decision is made not to grant the subsidy, the subsidy applicant shall be notified through Notification on Decision Not to Grant Subsidy (Form 6).

(Rescission of decision due to circumstance change)

Section 8

1) Upon having decided to grant a subsidy, the Governor may rescind the decision to grant the subsidy in whole or in part, or may change the content of the decision or the conditions attached to it, if a special need arises due to a subsequent change in circumstances. However, this shall not apply to the portion pertaining to the period that has already elapsed.

2) It is possible to cancel the decision to grant a subsidy under the preceding paragraph only when it becomes impossible to continue the business in whole or in part due to a natural disaster or other changes in circumstances that have occurred after the decision to grant the subsidy was made.

3) Subsidies, etc. for the following expenses may be granted for clerical work or operations that have become specially necessary as a result of the rescission of the decision to grant subsidies under paragraph 1.

(1) Expenses required for removal of machinery, equipment, and temporary facilities related to the business and other remaining work.

(2) Expenses required for compensation payments arising from the termination of a contract concluded to carry out the business.

(Order for Execution of Business, etc.)

Section 9

1) When the Governor finds that the subsidized company is not carrying out the business in accordance with the contents of this Outline, the details of the grant decision, or the conditions

attached thereto, the Governor may take measures to have the subsidized company carry out the business in accordance with these contents.

- 2) The Governor may rescind the grant decision if the Governor finds that the subsidized company is not expected to carry out the business despite the measures taken in accordance with the preceding paragraph.

(Reporting of actual expenses)

Section 10

- 1) Those who have been notified of the grant decision shall promptly submit Report of Actual Expenses (Form 7) with the following documents attached to it to the Governor.

[Consulting fees for experts, etc.]

- (1) Documents that can confirm details, number of times, period.

[Expenses incurred in personnel recruitment]

- (2) Documents that can confirm the employment of Employees, in relation to the subsidy, on a regular basis (employment contracts, etc.)

- (3) In the case of using an overseas fee-charging employment agency, documents that clearly show that the notification, license, declaration, etc. of such agency has been accepted by the national or local government, etc. of such agency.

[Initial office move-in costs]

- (4) Documents that can confirm the office, etc. for the relevant expenses has been secured (lease agreement, etc.)

[Association admission fee and annual fee]

- (5) Documents that can confirm the association membership details (admission fee, annual membership fee, etc.).

[Expenses to support outsourcing compliance work]

- (6) Documents that can confirm the content, duration, results, etc. related to the outsourcing work (outsourcing agreement, minutes, reports, etc.)

[Outsourcing fees for middle and back office work of the asset manager, etc.]

- (7) Documents that can confirm the content, duration, results, etc. related to the outsourcing work, etc. (outsourcing contract, minutes, reports, etc.)

[System-related expenses]

- (8) Documents that can confirm the content, duration, results related to the system-related work (agreement, reports, etc.)

- 2) If any of the documents mentioned in the preceding paragraph are prepared in a language other than Japanese or English, a translation in Japanese or English shall be attached for reference.

(Determination of the amount of subsidy)

Section 11 Upon receipt of the Report of Actual Expenses as stipulated in Section 10, the Governor shall examine it, if necessary, conduct an on-site inspection, etc., and determine the amount of subsidy to be granted and notify the grantee of it in the Notification on Determination to Grant Amount (Form 8), if the Governor confirms that the findings conform to the details of the subsidy determination and the conditions attached thereto.

(Measures for Correction)

Section 12 When the Governor finds, as a result of the investigation, etc. under the provisions of Section 11, that the outcome of the subsidized business does not conform to the contents of the decision on the grant of subsidy and the conditions attached thereto, the Governor may

order the subsidized company to take measures to conform to these conditions.

(Payment of subsidies, etc.)

Section 13 When a subsidized company seeks to receive payment of subsidies, it shall submit a Request for Payment (Form 9) to the Governor.

(Delivery of Subsidy)

14. The subsidy shall be paid out in Japanese yen.

In cases where the Expenses Eligible for Subsidy are paid for in a foreign currency, the exchange rate applied shall be the middle price of the telegraphic transfer rate (foreign exchange posted rates) of a designated financial institution of Tokyo on the date of payment of the Expenses Eligible for Subsidy, or a date deemed suitable by the Tokyo Metropolitan Government (figures below 1 yen are rounded off to the nearest whole number).

2) Any costs such as remittance fees in relation to delivery of the subsidy shall be borne by the recipient.

(Duty to Ensure Continuation of Business Operations)

15. Until the end of the following two Fiscal Years after the end of the Fiscal Year of the establishment of business operations, the subsidized party must ensure the continuation of business operations in Tokyo. However, this excludes circumstances that the Governor of Tokyo deems to be unavoidable.

(Duty to Report)

16. The subsidized party must submit business reports concerning business activities conducted in each Fiscal Year (the Fiscal Year of establishment, and the following two Fiscal Years) to the Governor of Tokyo in the form of the Business Activity Report (Form 10) by 30 June of the Fiscal Year following each Fiscal Year.

(Notification of Changes)

17. In the event that changes are made to any of the items listed below by the end of the following two Fiscal Years after the Fiscal Year of establishment, the subsidized party shall submit the Notification of Changes (Form 11) to the Governor of Tokyo immediately after the change has been effected.

(1) A change to the name of the subsidized party

(2) A change to the address of the subsidized party

(3) A change to the representative of the subsidized party (representative in Japan in the case of a branch office)

2) In addition to the aforementioned, in the event that the subsidized party becomes unable to fulfill the grant criteria set forth in items 3. 2) above by the end of the following two Fiscal Years after the Fiscal Year of establishment, the details must be provided in the Notification of Changes (Form 11) and submitted.

(Rescission of Decision to Grant Subsidy)

18. Should any of the following apply to a subsidized party, the Governor of Tokyo can rescind all or part of the decision to grant the subsidy.

(1) When fraudulent information was given or other improper means were taken to receive the subsidy.

- (2) When conditions attached to the granting of the subsidy, or any laws or ordinances are violated.
 - (3) When it becomes impossible to fulfill the grant criteria set forth in item 3. by the end of the following two Fiscal Years after the Fiscal Year of establishment.
 - (4) When the duty to ensure continuation of business operations, set forth in item 15., has been violated.
 - (5) When other instructions set forth based on this Outline have been violated.
- 2) When the decision to grant a subsidy is rescinded based on the aforementioned provision, the subsidized party shall be notified through the Notification on Rescission of Decision to Grant Subsidy (Form 12).

(Return of the Subsidy)

19. When the decision to grant a subsidy is rescinded in accordance with the provisions of item 17., the subsidized party must return the amount determined in item 20. to the Tokyo Metropolitan Government. However, this excludes circumstances that the Governor of Tokyo deems to be unavoidable.
- 2) The Governor of Tokyo shall notify the subsidized party of matters concerning the return of the subsidy through the Request for Return of Subsidies, etc. (Form 13).

(Calculation of Amount of Subsidy Rescinded)

20. The calculation of the amount of subsidy rescinded is determined as follows.
- (1) When the decision to grant the subsidy is fully rescinded by the Governor of Tokyo
The full amount of subsidy granted
 - (2) When the decision to grant the subsidy is partially rescinded by the Governor of Tokyo
The difference between the amount of subsidy received by the subsidized party, and the amount obtained by multiplying the amount of subsidy received, by the percentage of the number of days from the date of receipt of subsidy to the day before the date of the event leading to the rescission (if the date of the event leading to the rescission is unknown, use the date when the Tokyo Metropolitan Government was informed of the event leading to the rescission) (including the date of receipt of subsidy), in the number of days from the date of receipt of subsidy to the last day of two Fiscal Years after the Fiscal Year of establishment (the final amount is rounded off to the nearest yen).

(Penalty for Breach and Delinquency Charge)

21. When the Governor of Tokyo orders the return of the subsidy as prescribed in item 19., the subsidized party shall pay a penalty for breach (excluding penalties below 100 yen), corresponding to the number of days from receipt of the subsidy pertaining to this order to the date of repayment. An annual interest rate of 10.95% (the annual rate shall be daily prorated per 365 days even with respect to a period that includes a leap year) shall apply (for the period following partial repayment, the partially repaid amount shall be deducted from the amount subject to interest). However, the subsidized party may be exempted from payment of the penalty for breach in circumstances leading to the rescission that are deemed unavoidable by the Governor.
- 2) If the party ordered to return the subsidy under the provisions of item 19. fails to do so by the deadline, a delinquency charge (excluding delinquency charges below 100 yen) must be paid, corresponding to the number of days from the day following the deadline for repayment. An annual interest rate of 10.95% (the annual rate shall be daily prorated per 365 days even with respect to a period that includes a leap year) shall apply for the outstanding amount.

(Calculation of Penalty for Breach and Delinquency Charge)

22. In the event that the Governor of Tokyo orders the payment of penalty for breach in accordance with 1) of item 21., until the amount of subsidy returned by the party ordered to return the subsidy reaches the amount that was ordered to be returned, the partial repayment shall first be allocated to the amount of subsidy that was ordered to be returned.
- 2) In the event that the Governor of Tokyo orders the payment of penalty for breach in accordance with 2) of item 21., if partial repayment of the subsidy has been made with respect to the subsidy that was ordered to be returned, the calculation of delinquency charges for the period from the day following the said repayment date shall be based on the outstanding amount following the deduction of such partial repayment.

(Site Investigations, etc.)

23. The Governor of Tokyo may instruct his staff or staff from the Business Development Center Tokyo (hereinafter, "Staff, etc.") to enter the base of business operations to conduct the necessary investigations or inquiries toward the Japanese Corporation, etc. with respect to its business activities, etc., within the scope necessary for the enforcement of this Outline.
- 2) The Staff, etc. conducting the site investigations or inquiries in accordance with the aforementioned provision shall carry proof of their identification, and must present this proof when requested to do so by the Japanese Corporation, etc.

(Disclosure of Contents of Subsidy, etc.)

24. The Governor of Tokyo is authorized to disclose the company name, name of representative, contents of the subsidy, and other information concerning the subsidized party.

(Other)

25. Matters necessary for granting the subsidy, other than what is provided in this Outline, are as provided under the Tokyo Metropolitan Government Regulations for Subsidy Grants, etc. (Tokyo Metropolitan Government Regulation No. 141 of 1962) and Implementation of Tokyo Metropolitan Government Regulations for Subsidy Grants, etc. (Zaishuchouhatsu No. 20 of 11 December 1962).

Supplementary Provision

This Outline shall apply from 1 April 2017.

Supplementary Provision

This Outline shall apply from 1 April 2019

Supplementary Provision

This Outline shall apply from 1 April 2024