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The 'Global Financial City Tokyo' Initiatives

Tokyo used to be one of the biggest global financial centers rivaling New York and London. Now, being far behind Hong Kong and Singapore, Tokyo Metropolitan Government (TMG) aims to return as a top global financial center. In its attempt to once again become a global financial city, TMG appears to be willing to accommodate demands from foreign financial players.

In June 2017, TMG released the interim report on the "Global Financial City Tokyo" Initiatives (the Initiatives). While discussions are currently ongoing to determine specific policies or measures to be included in the Initiatives, below are key items that are proposed in the interim report. TMG widely solicits ideas on how to revitalize Tokyo's financial city function and restore its shine as a global financial center. The initiatives include the following:

1. Where is Tokyo going?

TMG set several grand goals in order to become a global financial city.

- > *Tokyo aims to become Asia's financial hub.*
Tokyo shall act as a financial hub to provide abundant financial assets held by individuals in Japan for the growth of Asia.
- > *Tokyo will strive to attract financial talents, funds, information, and technologies.*
Tokyo shall attract financial talents, funds, information, and financial institutions with highly sophisticated technology from around the world. Specifically, TMG aims to bring 40 foreign asset managers or fintech companies to Tokyo during fiscal years 2017-2020.
- > *Tokyo will focus on the growth of the asset management and fintech industries.*
Tokyo's financial industry shall be revitalized by the growth in asset management and fintech businesses.

- > *Tokyo will contribute to finding solutions for global social issues.*
For example, promoting the Environment-Social-Governance (ESG) investments.

2. Certain Key Measures:

Based on the above goals, TMG is currently proposing the following key measures in the interim.

- > **Tax Reduction**

It is widely known that the tax burden in Japan is heavier than in other Asian countries, especially Hong Kong and Singapore. Japan has two layers of taxation: national taxes and local government taxes. TMG is planning to reduce the local government taxes (*i.e.*, local corporate inhabitant tax and corporate business tax). Moreover, TMG will request the Japanese national government reduce the national corporation tax.

- > **Fast-Entry System**

In cooperation with the Japanese Financial Services Agency (JFSA), for those foreign financial institutions that commit to opening a Tokyo office, TMG will put these institutions through the Fast Entry system which will expedite the license application process for financial businesses.

- > **Providing an *easy and comfortable living environment* for foreign financial professionals**

For those who are not familiar with the Japanese way of life it can be difficult to acclimate. TMG will expedite the set-up of various infrastructures with an aim of assisting foreign financial professionals in Japan, such as medical services by non-Japanese licensed foreign doctors and an international school, among others, by utilizing the National Strategic Special Zone scheme (Special Zone Scheme). TMG will also lobby the Japanese government to deregulate the requirements to bring housekeepers from abroad working for highly skilled financial professionals. This is currently available for highly skilled foreign professionals under the points-based preferential immigration treatment.

- > **Subsidies for consultations with experts (*e.g.*, lawyers.)**

TMG has started providing subsidies for foreign asset managers or fintech companies that have an established business in Tokyo for the costs spent for professional fees (*e.g.*, lawyers and tax accountants) and for hiring personnel. The subsidy amount is up to one half of total costs of the above and up to JPY 7,500,000 (approx. USD 70,000). There are certain requirements for applying for the subsidy.

- > **Tokyo version of Lord Mayor System**

TMG models London's Lord Mayor System and intends to implement a similar system, allowing TMG to lead promotional activities with the private financial sector in an effort to attract foreign financial firms to come to Tokyo.

- > **Introduction of *Emerging Managers Program (EMP)***

Tokyo seeks to introduce the EMP, as some pension funds in the United States do, in order to foster startup asset managers in Tokyo. TMG will encourage fund sponsors to utilize the EMP and allocate certain mandates to startup asset managers.

- > **Provision of *matchup opportunities* for asset managers with no track record**

For foreign asset managers who do not have a sufficient track record in Japan, TMG will create and provide opportunities for such foreign asset managers to meet with Japanese investors.

- > **Accelerator Programs for fintech startups**

TMG has started offering an Accelerator Program for fintech startups. Under the program, TMG will, among other things, provide an introductory seminar to starting a business in Tokyo; support the preparation of a business plan and provide a mentoring company in Japan; hold networking events; and hold business plan presentations before companies in Japan. For example, TMG is currently holding "Fintech Business Camp"¹ for foreign fintech companies intending to launch their businesses in Japan.

¹ http://www.seisakukikaku.metro.tokyo.jp/bdc_tokyo/english/fintechaccelerator/index.html

- > **Introduction of *Regulatory Sandbox* system**
TMG will study ways to implement the Regulatory Sandbox system, allowing certain innovative businesses/business models to be conducted on a trial basis without application for outstanding relevant regulations of fintech startups.
- > ***Nurturing Financial Professionals***
TMG will assist in nurturing highly-skilled financial professionals by implementing a relevant program in the business school of the Tokyo Metropolitan University.
- > ***Issuing JPY 20 billion (USD 180 million) Tokyo Green Bond***
TMG pays great attention to the global movement toward the ESG investments and aims to incorporate it into the Tokyo market. TMG will implement several measures to incorporate ESG investments such as encouraging the implementation of the Corporate Governance Code and Stewardship Code by financial institutions in Tokyo. One symbolic measure is the issuance of JPY 20 billion Tokyo Green Bonds, the proceeds of which will be used for the improvement of the environment. It is also the goal of TMG for the Tokyo Green Bonds to be a good asset in which to invest the ESG strategy investment proceeds.

Please note that the above-specified measures in the interim report are subject to change until TMG finally determines and publishes the Initiatives in the fall of 2017. For more information on the Initiatives and how to comment and/or provide ideas, please contact your Greenberg Traurig attorney.

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