



# Japan as a Global Financial Center

Japan is aiming to become an international financial center that attracts talent, corporations and funds from around the world by creating a business-friendly environment for foreign professionals.

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The Japanese government made a cabinet decision to approve “Comprehensive Economic Measures to Secure People’s Lives and Livelihoods toward Relief and Hope” on December 8, 2020. One of the measures is the realization of “Japan as a global financial center.” Japan has many advantages as a financial center. For example, Japan’s real economy is very large, having the world’s third largest GDP at around 560 trillion JPY (about 5 trillion USD, as of 2019). There are also around 1,500 financial institutions (as of February 2021) in Japan, and the infrastructure for financial business is well established. Household assets are also quite abundant at about 1.9 quadrillion JPY (about 18 trillion USD), with great potential for the asset management business. The political and legal systems are also stable, and public security and the living environment are favorable.

The Comprehensive Economic Mea-

asures are targeted to realize Japan as a global financial center with the above-mentioned strength; reforms to the financial and capital markets; and establishment of an environment that attracts foreign businesses and highly-skilled professionals.

## ESTABLISHING AN ENVIRONMENT FOR THE ASSET MANAGEMENT BUSINESS

Based on the Comprehensive Economic Measures, the Japanese government instituted cross-ministerial policy packages in order to make it easier for foreign businesses and professionals which are engaged in the asset management business overseas to conduct the same kind of business in Japan. One of these packages is to simplify the market entry procedures for overseas investment managers. Operating in Japan as an investment manager in principle requires registra-

tion with the competent authorities, and registration procedures take some time. However, new entry schemes will be prepared that permit overseas investment managers with authorization by regulatory authorities and proven track records in specified foreign countries, and those that manage funds mainly provided by overseas qualified investors, to conduct business in Japan with notification to the competent authorities without registration procedures. (The amendment bill has been passed in the 2021 Diet session.)

In March 2021, the Tax Reform Bill that incorporates incentive initiatives for corporate tax and inheritance tax was passed. As for incentive initiatives for corporate tax, only listed companies meeting certain conditions were able to deduct performance-based compensation of directors of a non-family company. However, non-listed companies which mainly operate asset management business will be able to deduct performance-based

Images from the website of the Financial Services Agency introducing its initiatives to support foreign financial businesspeople considering entering or establishing a base in Japan  
<https://www.fsa.go.jp/internationalfinancialcenter/index.html>

compensation with a number of conditions, including using the calculation methods of performance-based compensation disclosed publicly through the Financial Services Agency (FSA) website. As for incentive initiatives for inheritance tax, previously, when a foreign national who had lived in Japan for 10 or more years within 15 years before the inheritance, inheritance tax was levied not only on their properties in Japan but also on overseas properties. Following the 2021 tax reform, however, overseas assets will be exempt for a foreign national who entered Japan with a valid working visa regardless of their years of residence in Japan when their heir receives the assets as a non-resident or short-term resident.

## FINANCIAL MARKET ENTRY OFFICE

On January 12, 2021, the FSA and the Local Finance Bureau of the Ministry of Finance jointly opened the Financial Market Entry Office as a centralized consultation center for overseas financial companies considering the establishment of a base in Japan ([https://www.fsa.go.jp/internationalfinancialcenter/en/market\\_entry/](https://www.fsa.go.jp/internationalfinancialcenter/en/market_entry/)).

The Office handles the process in English from pre-application consultations related to obtaining financial licenses to registration procedures and supervision after registration. They also offer support for foreign nationals planning to relocate to Japan, including support in obtaining residence status and ensuring housing, and providing information on medical institutions where English is available and international schools.

The Office is already at full throttle. As soon as it was established, the Office conducted several pre-application consultations including an investment management company from the UK planning to set up an investment advisory and agency subsidiary in Japan. Using video conferencing and other methods, the Office consulted with this company in English, and in April of 2021, this case was completed as the first registration of an overseas financial company that was supported by the Office.

The implementation of the policies described above is nothing more than a first step toward the realization of “Japan as a global financial center.” Japan will work to continually make improvements by removing barriers to entry for foreign businesses, strengthening the offering of information related to the Japanese financial market, and more. [1](#)

**Note:** This article has been created with the consent of the Financial Services Agency and on the basis of materials published by the Agency.

## Transforming Japan into an international financial center that attracts employees, companies, and funds from around the world



### International Financial Center : The Appeal of Japan

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### Opening an Asset Management Business

<p>Obtaining License and/or Registration</p>	<p>Simplified Market Entry Procedures</p>	<p>Tax Reforms</p>	<p>Relaxation of Residency Status</p>
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### Our Support

### Informational Materials

<p>Company Setup Support</p>	<p>Livelihood Support</p>	<p>Investment Management &amp; Registration Procedures</p>	<p>Laws and Guidelines</p>	<p>Seminars and Speeches</p>
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### News What's New

April 16, 2021	The First Registration Case Using the Financial Market Entry Office
March 30, 2021	Dedicated International Financial Center Website Launched

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