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2020



# Global Financial Centres 2020

## Focus On Tokyo

23 June 2020



Financial Centre Futures



FS Club



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# Focus On Tokyo



**Hiroshi Nakaso**  
Chairman  
FinCity Tokyo



**Keiichi Aritomo**  
Executive Director  
FinCity Tokyo



**Professor Michael Mainelli**  
Executive Chairman  
Z/Yen Group





**Vision of Tokyo as a  
Leading Global Financial Hub**

**Hiroshi Nakaso**

Chairman of FinCity.Tokyo

## **I . Outline of FinCity.Tokyo**

## **II . Priorities in activities**

# “Global Financial City Tokyo” vision by Tokyo Metropolitan Government

Effective deployment of household financial assets and realization of sustainable economic growth

## “Global Financial City Tokyo” vision by TMG (Nov 2017)

【Tokyo’s aspiration as a city】

Financial Hub of Asia

Attracting finance professionals, capital, information, technology

Focusing on asset management & Fintech

Addressing social imperatives

【specific measures】

### Laying out an attractive business and living environment

- Alleviation of taxation burden
- Simplification of administrative processes
- Living environment for foreigners





### Developing players in Tokyo market

- Attracting foreign financial services firms
- Developing asset managers
- Developing fintech

### Contribution by finance in solving social issues

- Thorough adherence to “Investor/customer first” ethos
- Promotion of ESG investment

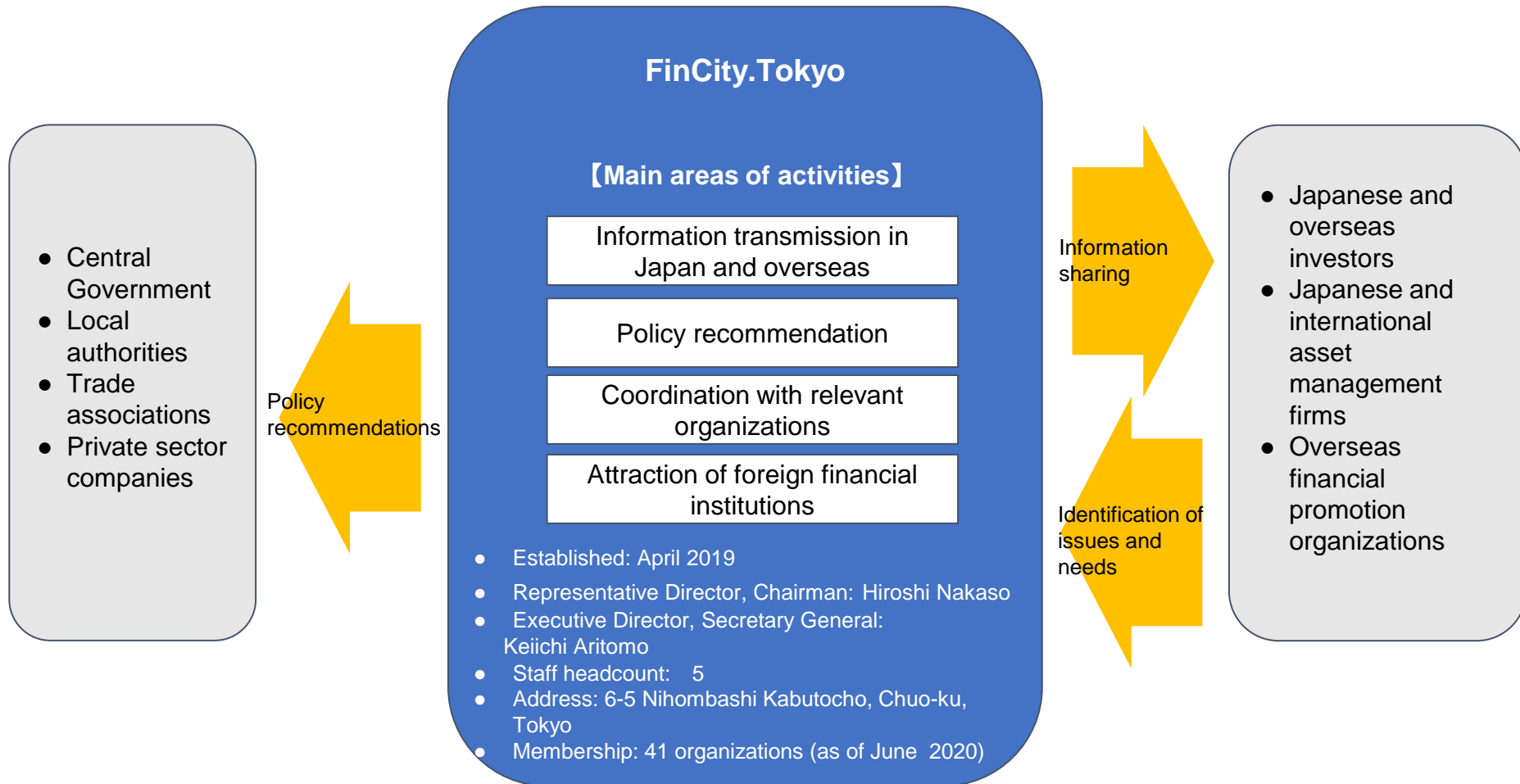
## 【Ranking of international financial cities】

City	Rank	
	March 2020	Sep. 2019
New York	1	1
London	2	2
Tokyo	3 	6
Shanghai	4 	5
Singapore	5 	4
Hong Kong	6 	3

Source : produced by FinCity.Tokyo based on “Global Financial City Tokyo” vision Z/Yen Group Global Financial City Index GFCI27(March 2020) and GFCI26(Sep.2019)

# FinCity.Tokyo

FinCity.Tokyo was established in April 2019 as a public private promotional organization to progress the “Global Financial City Tokyo” initiative



# FinCity.Tokyo membership

## Voting members (16)



QUICK Corp.



International Bankers Association of Japan



Daiwa Securities Group Inc.



Tokyo Metropolitan Government



Accenture Japan Ltd.



Asset Management One Co., Ltd.



Aflac Life Insurance Japan Ltd.



Atsumi & Sakai



Japan Securities Dealers Association



Development Bank of Japan Inc.



Japan Exchange Group, Inc.



New Horizon Capital Co., Ltd.



EY Japan Co., Ltd.



KPMG Consulting Co., Ltd.



Schroder Investment Management (Japan) Limited



TANSHI KYOKAI



Nomura Holdings, Inc.



Heiwa Real Estate Co., Ltd.



Mizuho Bank, Ltd.



Sumitomo Mitsui Banking Corporation



The Investment Trusts Association, Japan



Nuveen Japan Co., Ltd.



The Norinchukin Bank



Nomura Research Institute, Ltd.



Sumitomo Mitsui Trust Bank, Limited



MUFG Bank, Ltd.



Morgan Stanley Japan Holdings Co., Ltd.



Refinitiv Japan K.K.



PwC Japan LLC



Mitsui Fudosan Co., Ltd.



Mitsubishi Estate Co., Ltd.



Mori Building Co., Ltd.

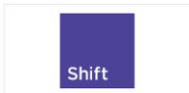
## Emerging corporate members (7)



Reliable Investment Advisors Japan Co., Ltd.



Japan Catalyst, Inc.



Shift Technology Japan Ltd.



Japan Asset Management Platform Group Co., Ltd.



Recruit Career Co., Ltd.

## Academic member (1)



Tokyo Metropolitan University

FinCity.Tokyo is sponsored by 41 organizations including Tokyo Metropolitan Government, financial industry associations and major financial institutions, global investors, and service providers Source: FinCity.Tokyo



FINOLAB, Inc.



Minsetsu, Inc.

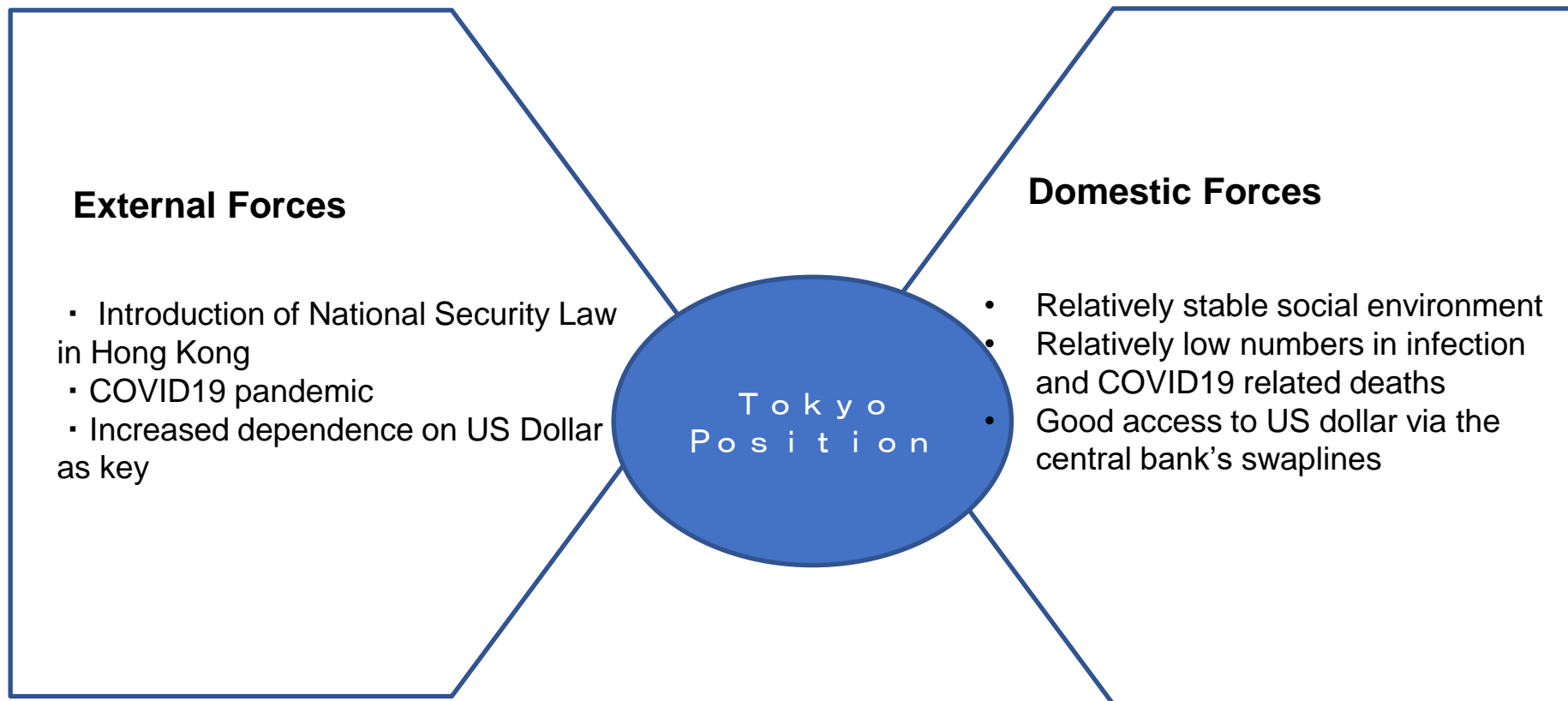


Robot Fund Co., Ltd.



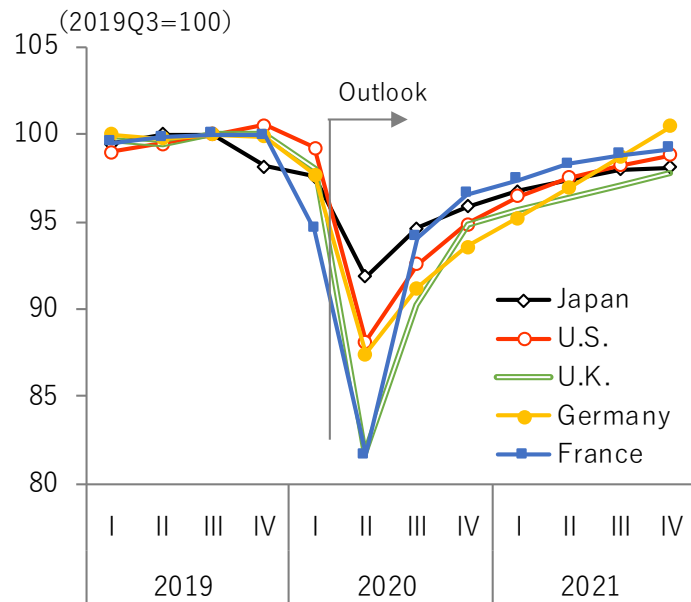
# Landscape surrounding Tokyo as global financial city

Both external and domestic factors are enhancing Tokyo's importance and role as a global financial center.

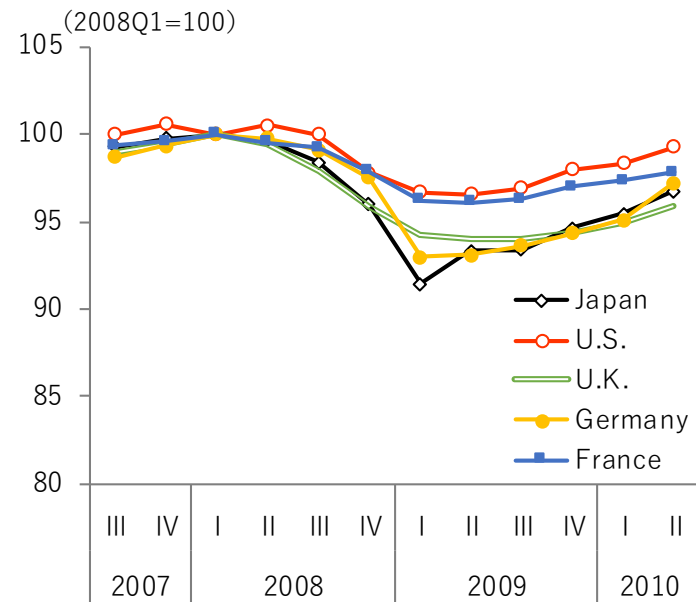


# Changes in Real GDP

## Current and Outlook



## Aftermath of GFC

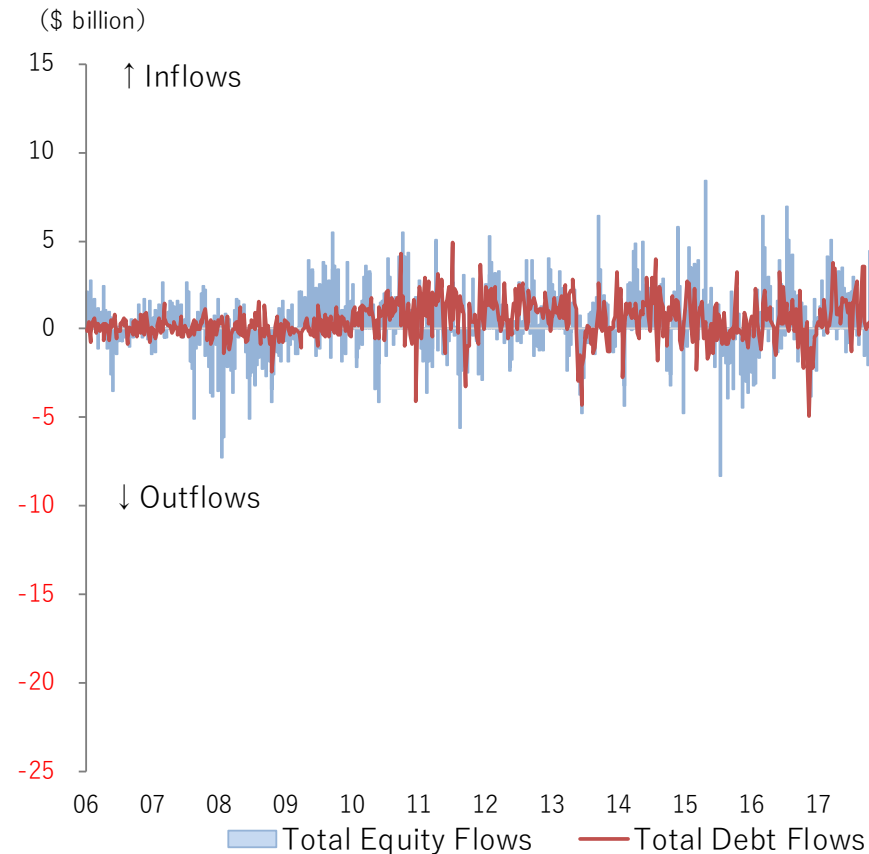


Note: The outlook for Japan; JCER ESP Forecast Survey(May 2020) , U.S.; CBO Interim Economic Projections(May 2020), U.K., Germany, France; European Commission Economic Forecast(May 2020).

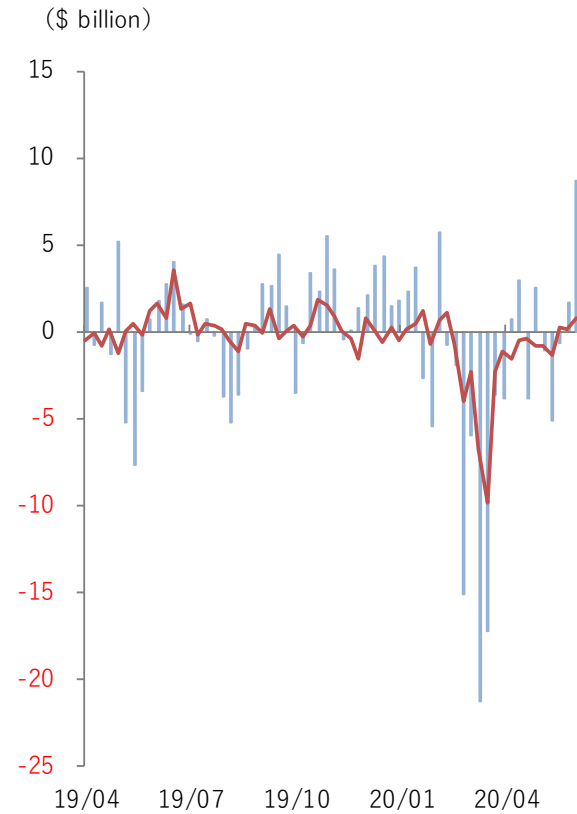
Source: Cabinet Office, Japan Center for Economic Research, U.S. Department of Commerce, U.S. Congressional Budget Office, Federal Statistical Office of Germany, Office for National Statistics, The National Institute of Statistics and Economic Studies, European Commission; compiled by DIR.

# Capital Flows to Emerging Markets

## Since 2006



## For the past year

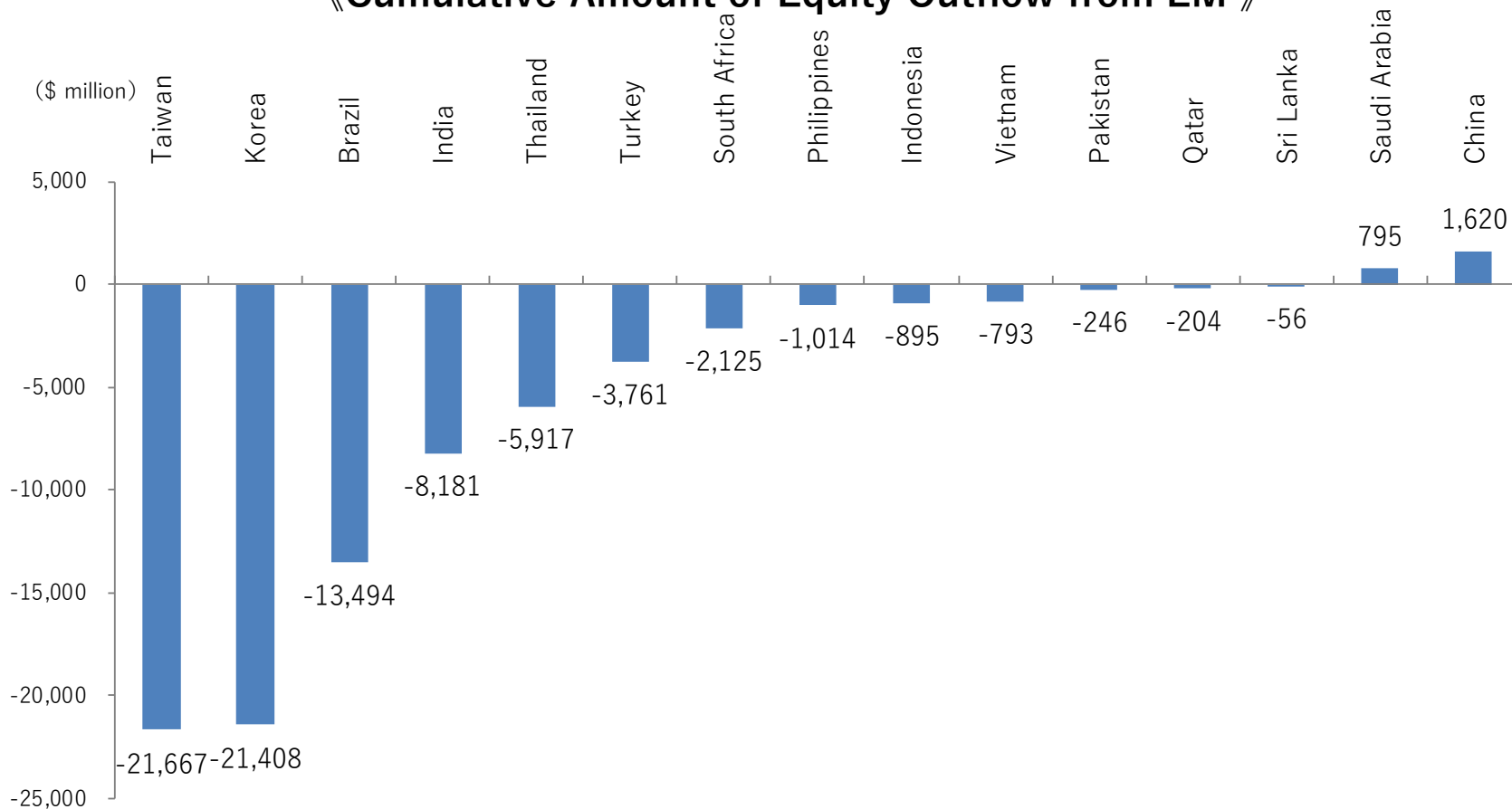


Note: Weekly data. Latest data as 5th June 2020.  
Source: IIF; compiled by DIR.

# Capital Outflows from Emerging Markets since the End of January

During the period of 30th January (WHO declared PHEIC) to 22nd May, cumulative amount of capital outflows from emerging markets were 105.3 \$billion.  
(Equity: 74.1 \$billion, Debt: 31.2 \$billion)

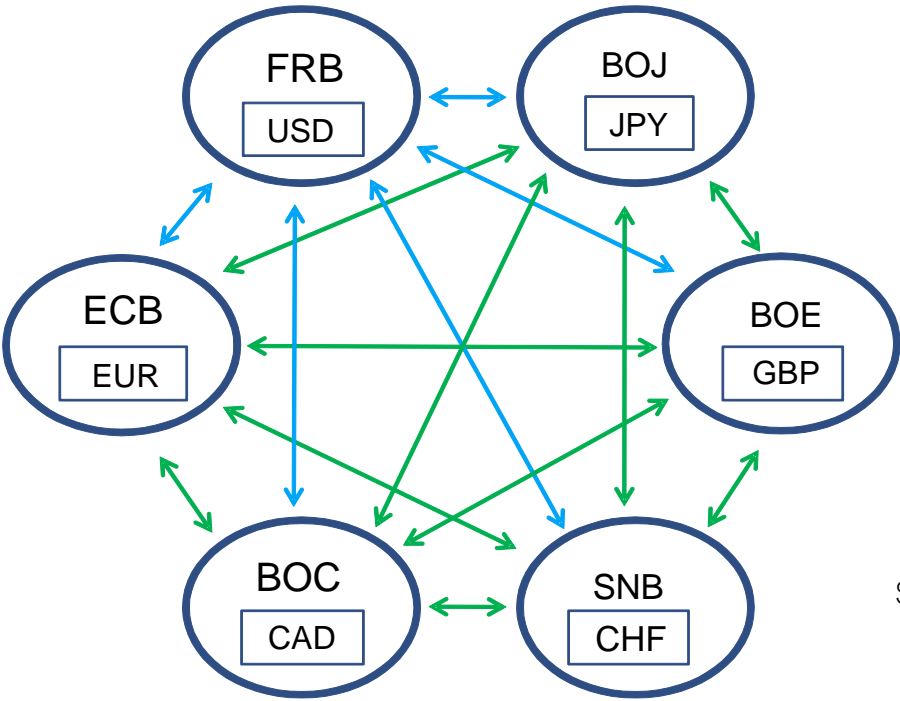
## 《Cumulative Amount of Equity Outflow from EM》



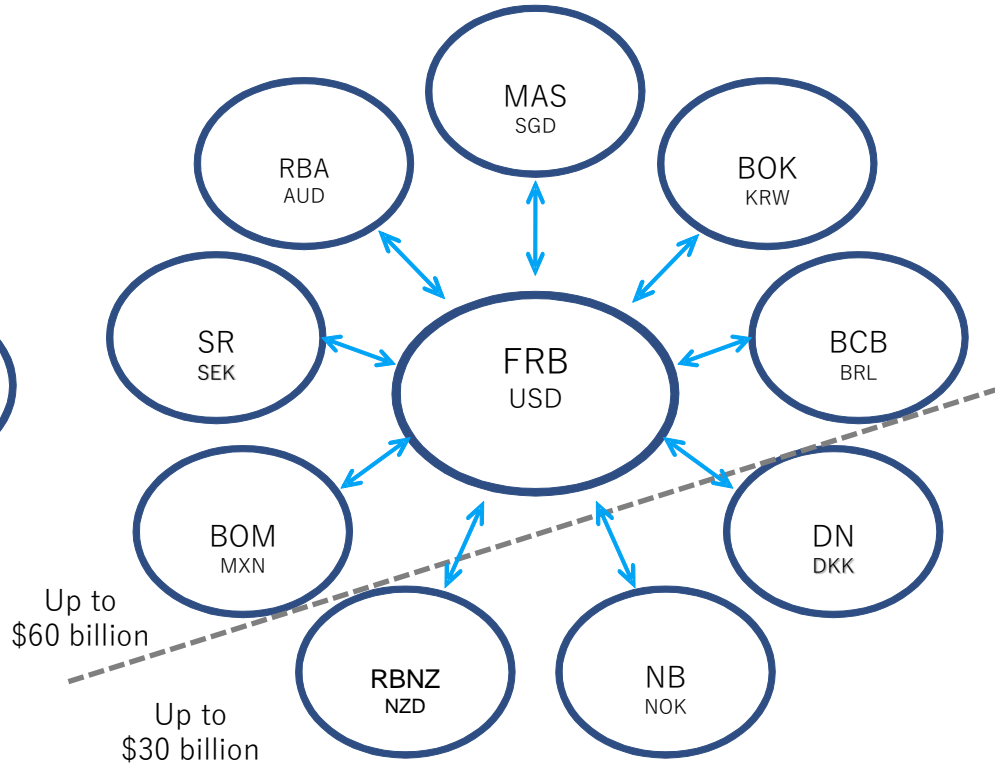
Note: During the period of 30th January to 22nd May.  
Source: IIF; compiled by DIR.

# Progress of Currency Swap Lines

Since Dec 2011



Since 19th March 2020



Full Allotment, Standing Arrangements

With limits, Temporary

Note: FRB: Federal Reserve, BOJ: Bank of Japan, ECB: European Central Bank, BOE: Bank of England, BOC: Bank of Canada, SNB: Swiss National Bank, MAS; Monetary Authority of Singapore, RBA; Reserve Bank of Australia, BCB; the Banco Central do Brasil, DN; Danmarks Nationalbank, BOK; Bank of Korea, NB; Norges Bank, RBNZ; the Reserve Bank of New Zealand, SR; Sveriges Riksbank, BOM; Banco de Mexico.

Source: Bank of Japan, compiled by DIR.

# Activities by FinCity.Tokyo at the time of Covid19

FinCity.Tokyo has been working proactively as a promotional organization even during COVID19.

Domestic and international information dissemination

- We continue to actively communicate with our local and international audience via digital tools such as webinars at a time when face-to-face roadshows cannot be held



Advocacy to create a better business environment for asset managers and fintech firms

- Swift liaison with regulators and TMG to ensure continuity of financial services under State of Emergency
- Coordination with regulators, ministries and TMG to help asset managers and fintechs secure working capital
- Submission of proposal for tax reforms



Stronger coordination with overseas financial promotion organizations

- Contributed a piece on Japanese financial sector's experience and measures in improving BCP following the Eastern Japan Great Earthquake to "How Global Financial Centers can help combat the Covid 19 pandemic" produced by WAIFC (World Alliance of International Financial Centers)
- Appointment of our Executive Director on WAIFC's board



# Priorities in activities



# Priorities in activities



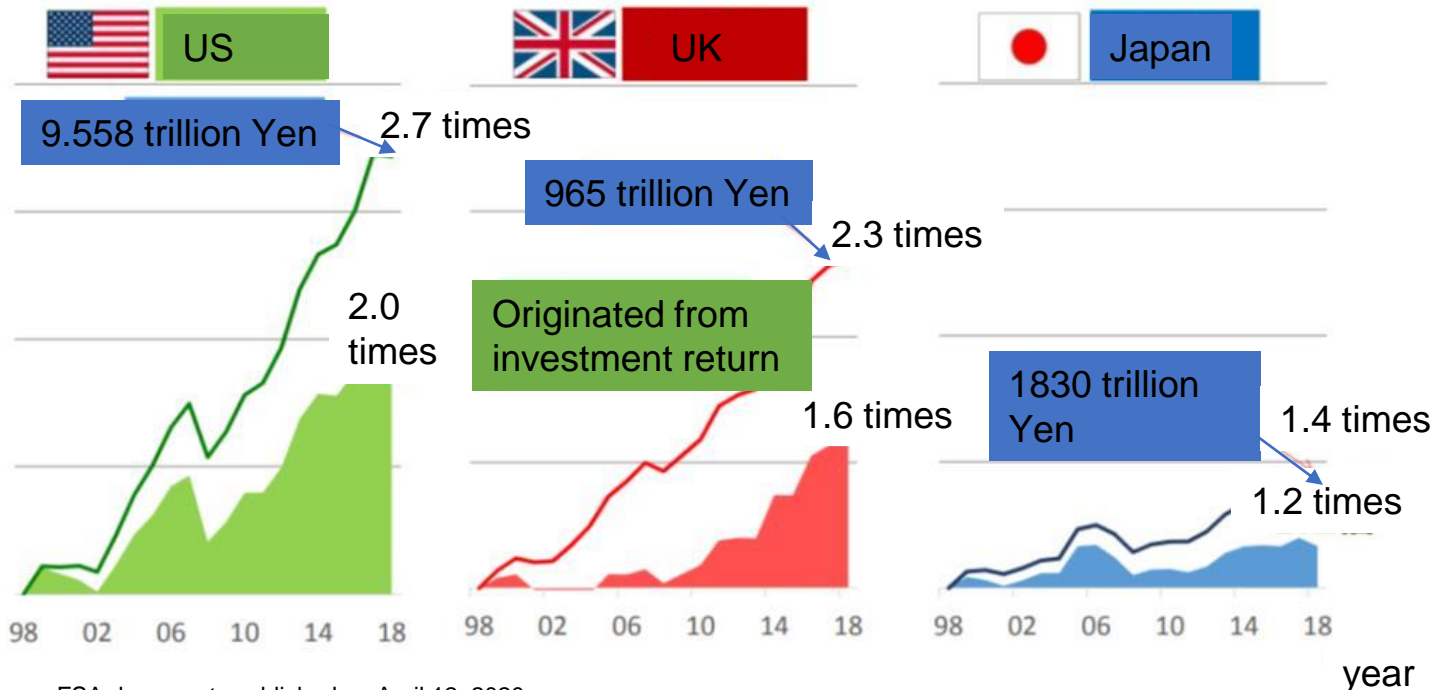


# 1-1. Current state of the market for asset management in Japan

- Japan's asset management industry lags largely behind US and European counterparts
- **Upgrading of the asset management sector is key to increase assets of the people and solve the "20 million yen post retirement" issue**

## 【Comparison in growth of household financial assets between US, UK and Japan】

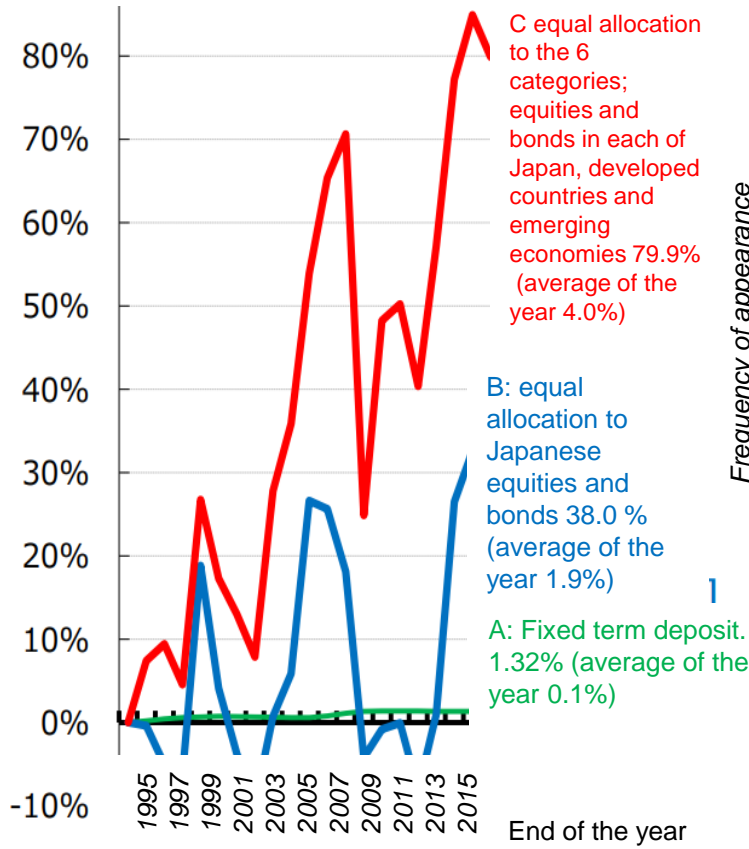
Looking at the 20 year period from 1998, total household financial asset grew 270% and 230% respectively in US and UK whereas the correspondent figure for Japan stays at 140%. It can be analyzed that difference in return captured has an influence on these figures.



Source: FSA documents published on April 12, 2020

# 1-2. Benefit of long-term, accumulated and diversified investment

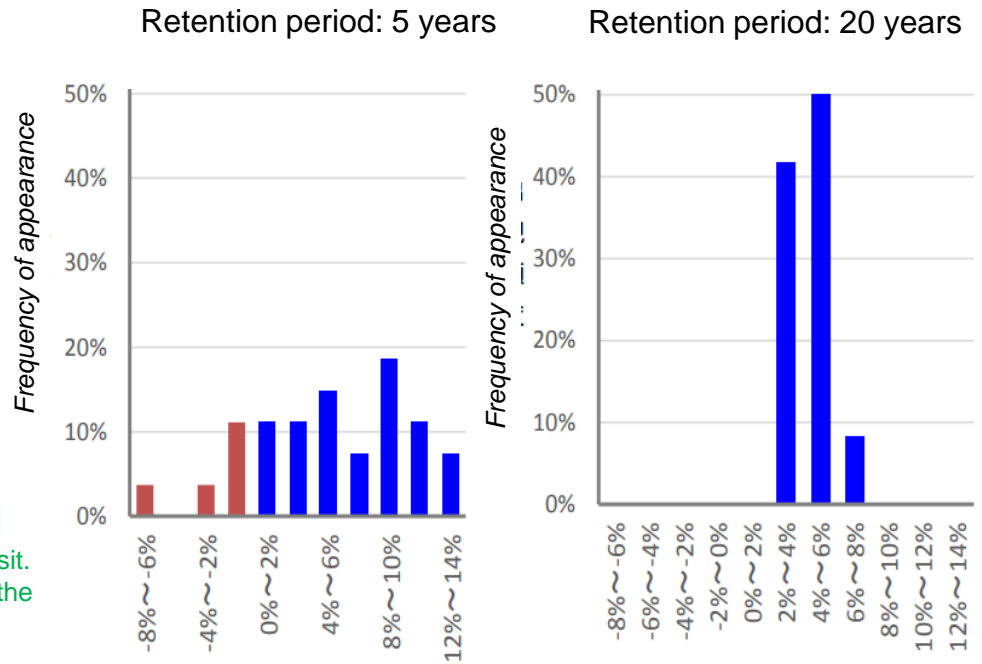
## Benefits of long-term, accumulated and diversified investment (performance)



Each calculated value is the cumulative return gained when the same amount of fund has been invested. For equities, weighting has been applied for each country's market size based on the leading stock indices of each country. For bonds, weighting for each country has been applied based on market size for sovereign bonds. Source) Bloomberg

## Return of accumulated and diversified investment in domestic and international equities and bonds (performance)

Average ROI converge to 2 to 8% per annum if held for 20 years



¥1 million after 5 years  
↓  
Between ¥0.72 million and ¥1.73 million

¥1 million after 20 years  
↓  
Between ¥1.83 million and ¥3.21 million

Based on purchase of the same amount of equities and bonds each month from 1985 and performance/ annual return calculated based on market value after the retention has passed for each year of purchase.

Source: Report by Daiwa Institute of Research based on the documents by Financial Council (3<sup>rd</sup> of June 2019)

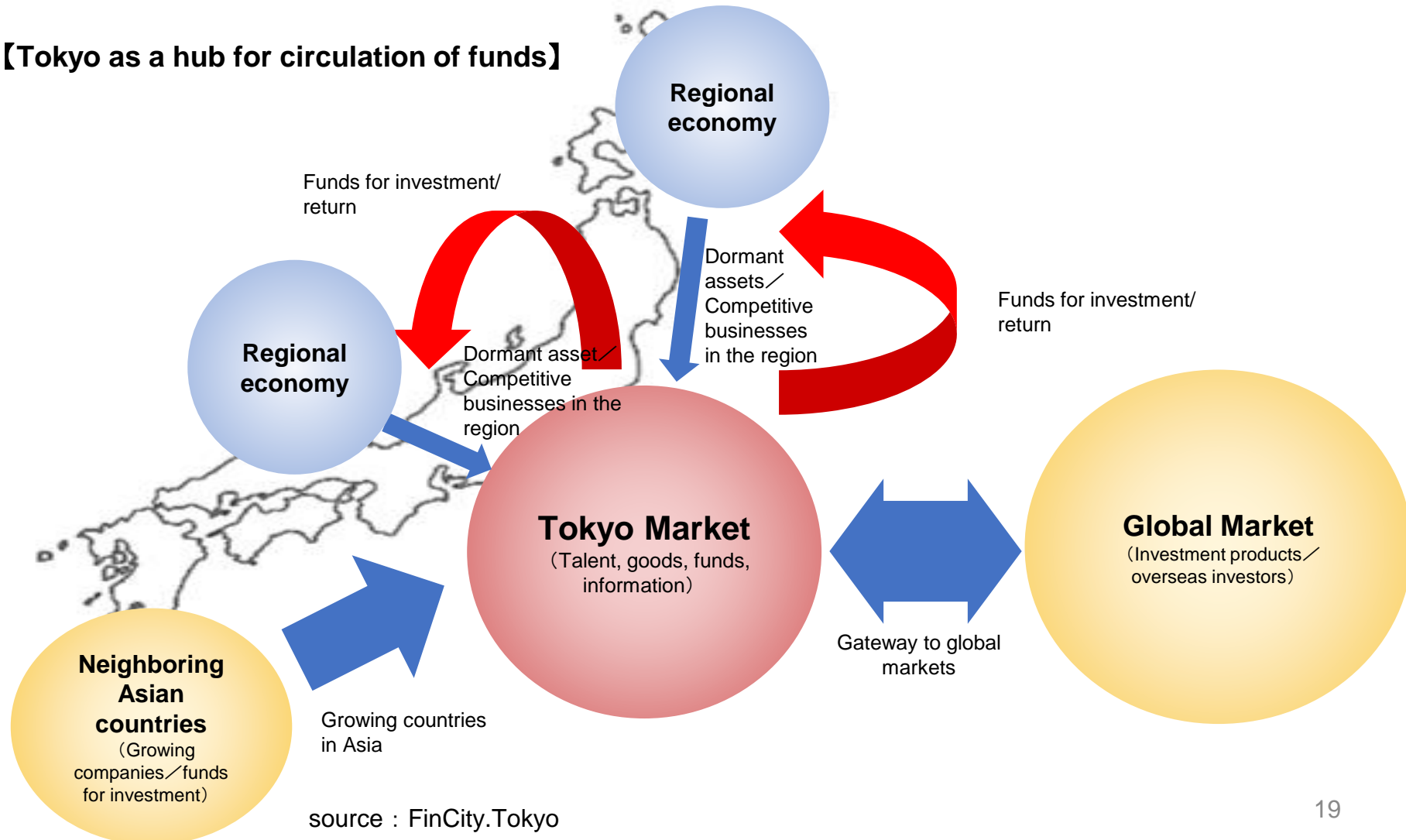
# Priorities in activities



# Contribution to social and economic issues through the power of finance

- Make domestic risk money circulate by using Tokyo market and achieve economic growth
- Contribute to the growth of Asia with Tokyo as a gateway to global market

## 【Tokyo as a hub for circulation of funds】



# Priorities in activities



1. Upgrade the  
asset  
management  
industry

2. Gateway to  
global markets

**3. Coordination  
with financial  
services core  
infrastructure**

# 3-1. Collaboration between Japan Exchange Group and London Stock Exchange Group



Photo by amanaimages.com



Photo by amanaimages.com

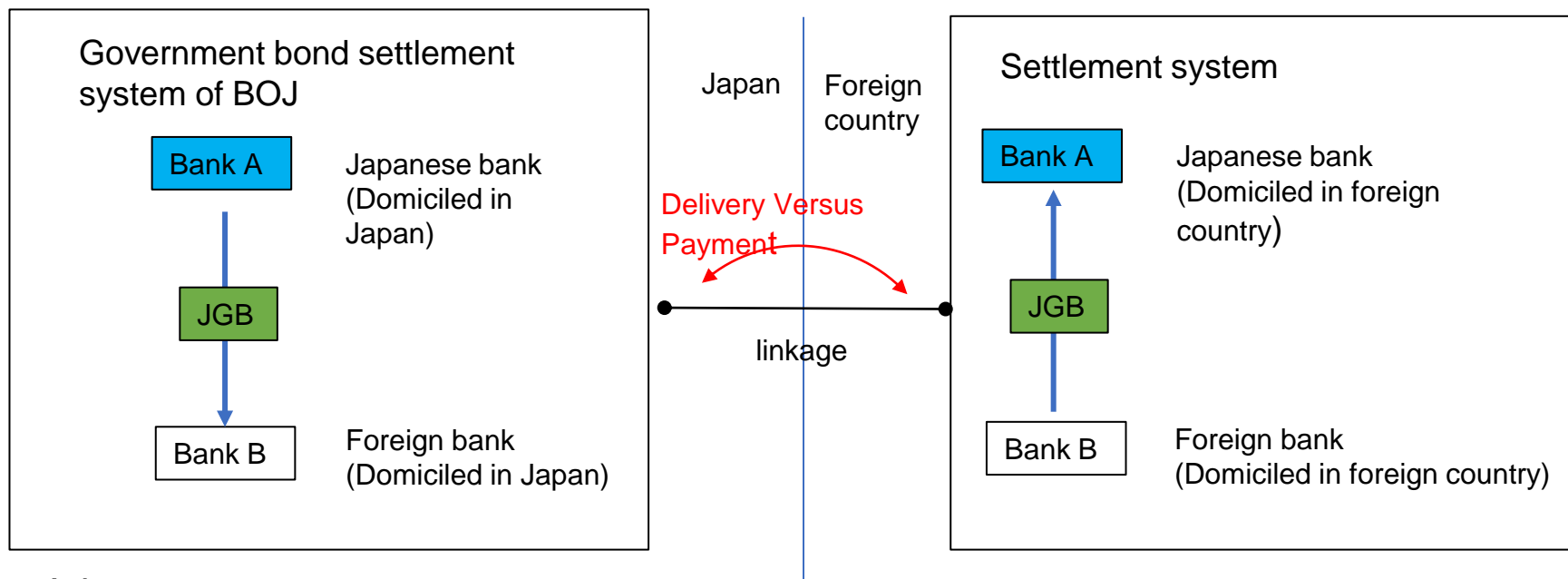


**London**  
Stock Exchange Group

## 3-2. Increase in international connectivity of core financial infrastructure

- Strengthened financial functions and enhanced usability achieved by crossborder linkage between the core financial services infrastructure such as Central Banks payment and settlement systems.

### 【International linkage of settlement systems by Central Banks】



#### Advantages

- Reduced settlement risks
- Stable foreign currency procurement by Japanese financial institutions
- Enhanced usability of JGB

# Attractiveness of Japan as a Living Environment







Deep history



Beautiful four seasons



Wide variety of culture in all the country



Scenic beauty



Business expansion with international sport competition





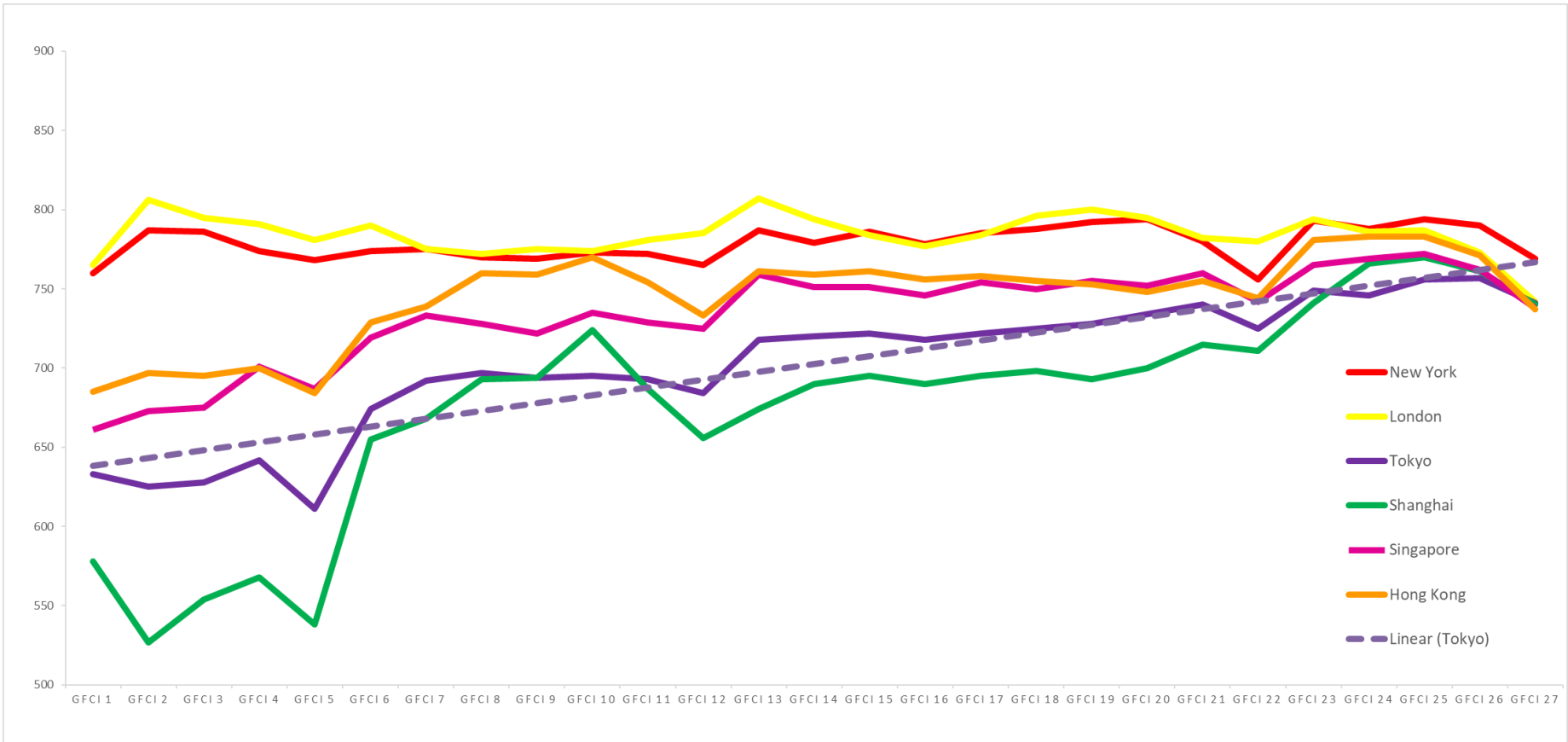
**Thank you for your attention!**



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# Tokyo – An External View

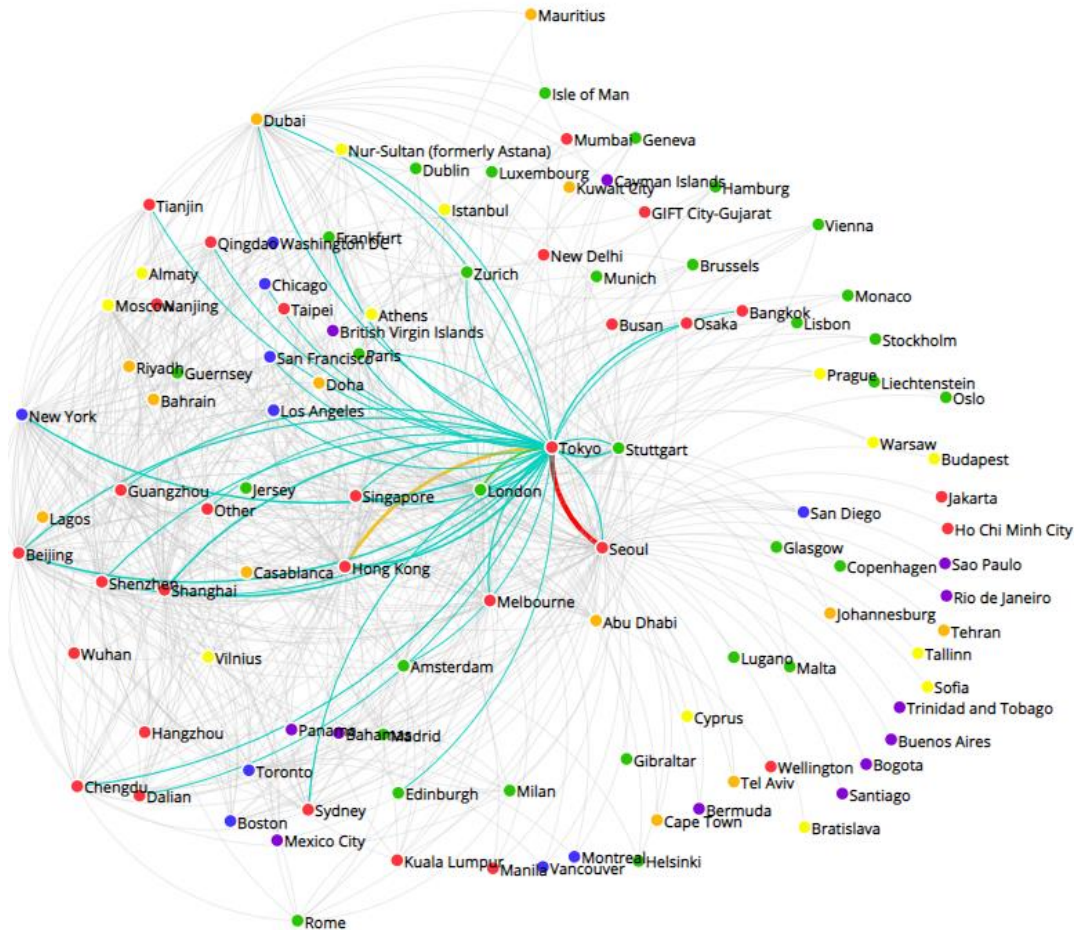
## GFCI Ratings Over Time





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# Tokyo - Connectivity



◆ Strong connections to major financial centres –  
Hong Kong, London, New York, Singapore, Dubai



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# Tokyo Strengths

- ◆ Infrastructure – Building Efficiency, Domestic Transport, 4G availability, Broadband speed
- ◆ Business Environment – Stable currency, low inflation, interest and tax rates, scores high on Global Peace Index
- ◆ Reputation – top five in Innovation Cities Index, Global Power City Index, Global Cities Index, Best Countries Index
- ◆ Financial Sector - Top ten in capitalisation of Stock Exchanges and Net External Position of Banks
- ◆ Human Capital – top five in Life Expectancy, Passport Index, Cost Of Living City Rankings, and Health Care Index



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# Tokyo For The Future

- ◆ Potential to lever the enormous assets held in Japan
- ◆ Support for industry and trade
- ◆ Major centre for Asia, which continues to drive economic growth
- ◆ Focus on FinTech, sustainable finance, and social investment
- ◆ Need to maintain connectivity going forward



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# Questions, Comments, And Answers



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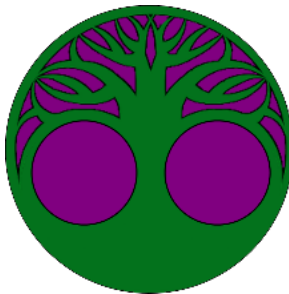


# Get Involved



Global Financial Centres Index

[www.globalfinancialcentres.net](http://www.globalfinancialcentres.net)



Global Green Finance Index

[www.greenfinanceindex.net](http://www.greenfinanceindex.net)



Smart Centres Index

[www.smartcentresindex.net](http://www.smartcentresindex.net)



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# Thank You

## Global Financial Centres Index 28 September 2020



Take the GFCI survey at:

[www.globalfinancialcentres.net/survey/](http://www.globalfinancialcentres.net/survey/)



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