Transforming the flow of funds in the Japanese financial markets

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* This presentation represents the presenter’s own views, and not necessarily those of the JFSA.
Demographic trends: aging/decreasing population

- Stable accumulation of household financial wealth over a medium- to long-term

Form of household financial assets: majority in cash & deposits

- Larger part of their assets directly invested in equity & investment trusts

Financial intermediation: banking sector dominance

- Further provision of risk-money to economic activities in need of funds
Reform Initiatives

JFSA has been taking a number of initiatives to transform flow of funds, working on:

Investees:  
*To improve corporate governance*

Investors:  
*To mobilize household assets*

Intermediaries:  
*To promote customer-oriented business*
Corporate governance is indispensable in enhancing corporate values of investee companies in the medium- and long-term.

Institutional investors have an important role in increasing corporate values by engaging in constructive dialogue with investee companies.

From these perspectives, JFSA introduced:

- *Stewardship Code* in 2014
- *Corporate Governance Code* in 2015
Long-term, regular and diversified investment would be effective to achieve stable increase of the household financial assets

- In 2014, JFSA introduced a tax-exempt individual savings account: so-called NISA
- JFSA plans to introduce a new NISA scheme in 2018 which aims at promoting long-term, regular and diversified investment by households

Practical investment education/literacy would be critical for retail investors (in particular, beginners) to make informed-decision

- JFSA launched a council of experts to further explore ways to promote long-term, regular, diversified investment and practical investment education/literacy.
Reform 3: Promoting Customer-Oriented Business

- All financial intermediaries in the investment chain should act in the best interests of their customers
  - *In the past:* Broker dealers had tendencies to put too much emphasis on commission revenues from investment trust sales in the short run
  - *Going forward:* Seven principles* (“comply-or-explain” approach) for financial intermediaries to put their customers’ interests first

*) Prepared by JFSA based on the recommendations by the Financial System Council, for finalization after public consultation

- JFSA will continue to cultivate an environment where financial intermediaries can compete with each other to deliver higher-quality products/services best suited for customers
Thank you very much

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