



A Single Regulator for the Asset Management Business in Japan

European Business Community in Japan (EBC)¹

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1. Background

Current regulations in Japan artificially separate the provision of investment advisory services from investment trust management. Companies wishing to participate in both business areas are required by law to take out separate licenses and maintain a number of artificial firewalls between these two related operations. As a result of this artificial separation, two separate industry associations have emerged, the Investment Trust Management Association (ITMA) and the Japan Securities Investment Advisers Association (JSIAA), respectively. Each of these associations has its own limited set of self-regulatory powers.

2. Issue

Having two separate bodies and being subject to two different laws leads to tremendous inefficiencies for a firm wishing to be active in both areas, such as:

- Physical impact on separation of regulators: This requires unnecessary time when conducting registration, seeking consultation or approval etc. (Registrations of directors, fund managers, etc. have to be filed to two authorities in two different formats)

¹ The European Business Community is the trade policy arm of the combined European national Chambers of Commerce in Japan.

- Different regulations on the same issue in basically the same business
- Duplicate inspection from the FSA (Financial Services Agency) and the KLFB (Kanto Local Finance Bureau), respectively
- Duplicate investment and labour cost
- Duplicate filings and reporting (Business reports and financial reports have a different format (see next point))
- Differences in the filing formats
- Differences in document retention policy
- Required to have two separate departments even in a small sized company (“firewalls”)

3. Recommendations

As a first step, the EBC asks that the FSA harmonize the rules and regulations governing the asset management business to reduce the burden on companies involved in the asset management business. This harmonization would encourage the two associations to merge, thereby further promoting consistency and efficiency in the Japanese market.