

MEMO# 6478

December 23, 1994

JAPAN ANNOUNCES INVESTMENT TRUST REFORMS

December 23, 1994 TO: BOARD OF GOVERNORS No. 128-94 INTERNATIONAL MEMBERS No. 10-94 RE: JAPAN ANNOUNCES INVESTMENT TRUST REFORMS

_____ We are pleased to report that Japan's Ministry of Finance ("MOF") announced last week that, for the first time, investment management firms will be permitted to register as both discretionary investment advisers and investment trust (mutual fund) managers. MOF's action to eliminate the prohibition on dual licensing has been an Institute priority for several years and follows the recent round of U.S.-Japan framework talks and the Institute's report and meetings with MOF on related trade issues. It is our understanding that an investment management firm will be able to apply for both licenses and conduct both businesses using the same offices and personnel. No firewalls will be required. According to the announcement, other changes in investment trust regulation also will be made, including changes to improve disclosure of investment trust performance data and changes to permit investment trusts to invest in a wider range of products, including derivatives. The changes announced last week should lower costs for and facilitate the operations of U.S. money managers seeking to enter the Japanese pension management and mutual fund markets. We intend to continue to follow MOF's actions in close consultation with the Treasury Department officials involved in the ongoing trade negotiations. We will keep you informed of further developments that we expect in the course of these negotiations. Catherine L. Heron Vice President & Senior Counsel

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