

MEMO# 1632

January 2, 1990

GUIDELINES FOR LICENSING NON-JAPANESE INVESTMENT TRUST MANAGEMENT FIRMS

January 2, 1990 TO: SEC RULES COMMITTEE NO. 1-90 INTERNATIONAL FUNDS TASK FORCE
NO. 1-90 RE: GUIDELINES FOR LICENSING NON-JAPANESE INVESTMENT TRUST
MANAGEMENT FIRMS _____

As you may know, the Japanese Ministry of Finance recently announced the adoption of qualification criteria for new entrants, including non-Japanese firms, seeking licenses to participate in the Japanese investment trust business. The attached translation of the guidelines describes the new licensing qualifications. In general, a firm wishing to establish an investment trust business in Japan must have a minimum of 3 years business experience in management or sales of investment trusts and "considerable business records." New investment trust management companies will also be required to have sufficient personnel, resources and back-office facilities to properly perform the administrative functions of the company within Japan. An applicant must have a minimum capitalization of 500 million yen and must present a plan for reaching profitability within 3 years. In general, foreign firms will be permitted to enter the investment trust management business through establishment of a wholly-owned subsidiary. In limited circumstances, a majority owned investment trust management company may have minority Japanese shareholders who do not contribute more than 5 percent of the capital of the new company. Interested firms are required to submit their preliminary applications to the Ministry of Finance by the end of February. According to the Ministry of Finance, licenses will be awarded periodically, at least once a year. We will keep you informed of developments. Catherine L. Heron Deputy General Counsel Attachment