

MEMO# 3720

April 24, 1992

JAPAN MAY RELAX STANDARDS FOR GRANTING INVESTMENT TRUST MANAGEMENT LICENSES TO FOREIGN FIRMS

April 24, 1992 TO: BOARD OF GOVERNORS NO. 26-92 INTERNATIONAL MEMBERS NO. 10-92
RE: JAPAN MAY RELAX STANDARDS FOR GRANTING INVESTMENT TRUST MANAGEMENT LICENSES TO FOREIGN FIRMS _____ An April 16 article appearing in a Japanese news publication, a translation of which is attached, reports that Japan's Ministry of Finance (MOF) intends to relax the requirements imposed on foreign firms seeking licenses to manage Japanese investment trusts. According to the article, the Ministry hopes to take action within the month. In December, 1989, the MOF issued Guidelines for Granting Investment Trust Management Licenses. The Guidelines apply to both domestic and foreign applicants, but impose criteria that are particularly burdensome for foreigners. (See Institute Memorandum to SEC Rules Committee No. 1-90 and International Funds Task Force No. 1-90, dated January 2, 1990.) For example, a foreign money manager must establish a separate subsidiary with a minimum capitalization of 500 million yen (approximately \$7 million). Moreover, applicants must agree to hire at least thirty Japanese employees, are prohibited from contracting out back office functions and must have a sales network established prior to licensing. According to the news report, the MOF intends to facilitate foreign entry in several ways. The capitalization requirement may be reduced from 500 million to 300 million yen, and an investment trust manager may no longer be required to employ at least thirty Japanese. Further, by permitting a foreign firm to establish an investment trust management firm as a joint venture with a Japanese securities firm, it may be easier for a foreign firm to enter the Japanese market without as substantial a commitment of capital and resources as is currently required. We will keep you informed of developments. Angela C. Goelzer Assistant Counsel - International Attachment