

TMG's Revision for the "Global Financial City: Tokyo" Vision

~ Realize Sustainable Recovery to Become a Global Financial City Leading the World ~

The global financial situation is in the midst of dramatic change. Amid an intensified competition with other cities, the Tokyo Metropolitan Government (TMG) has been promoting the "Global Financial City: Tokyo" Vision (hereinafter referred to as the "Vision") since its compilation in 2017. In order to respond quickly to these drastic changes in the global financial environment, which are becoming even more intense, the "Vision" will be revised in 2021. This report summarizes the contents of the revised plan, which is scheduled to be released soon, and outlines the differences with the 2017 plan.

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1. Background to the Revision of the "Vision"

Dramatic change in the situation of financial markets

The environment surrounding international finance is changing at a rapid pace, as seen in the changes in the situation in Asia and in European financial markets following the UK's exit from the EU (Brexit), the abolition of the London Interbank Offered Rate (LIBOR), growing global interest in sustainable finance, moves toward digitalization, and the COVID-19 pandemic around the world. In recent years, in particular, there has been a rapid acceleration in the calls for the measures to deal with the climate crisis and the initiatives to decarbonize the world. Under these circumstances, green finance, which can help solve these problems, has been gaining attention and has become a major global trend.

In order to respond quickly to these drastic changes in the global financial environment,

and to remain competitive as a global financial city, it is essential for Tokyo to appropriately and swiftly respond to the turbulent global situation. Against this backdrop, the "International Financial City, Tokyo" vision (hereinafter referred to as the "Vision") formulated in November 2017 has now been revised.

2. Outline of the revised vision

Image of a city that Tokyo should aim for

Taking into account its strengths, Tokyo, as a financial hub in Asia, aims to build an investment chain that links domestic and international capital demand to world-wide capital supply, against a backdrop the enormous domestic capital demand based on the existence of diverse companies and projects in Japan and the domestic capital supply capacity. Here, the Tokyo's strengths include being the world's third largest economy, the existence of approximately 1,900 trillion JPY in personal financial assets, high level of comprehensive strengths, political stability, and firm rule of law.

A model of a global financial city that Tokyo should aim for is one in which "funds intermediaries (asset managers, financial institutions, etc.)" are actively engaged; "domestic and foreign investors (retail, corporate, institutional investors, etc.)" supply ample funds to "domestic and foreign investees (companies, projects, financial products, etc.);" and comprehensive urban functions and enhanced infrastructure support these activities; thereby creating a virtuous cycle of investment and return. This will contribute to the growth of the financial

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industry itself, the growth of investee companies, and ultimately to the GDP and sustained economic growth of Tokyo and Japan as a whole.



Three pillars for developing measures

In light of the international financial environment and challenges facing Tokyo, the keys to building an investment chain are: (1) Enrichment of green and other sustainable finance-related products and ESG projects as "investment targets"; (2) Promotion of financial digitalization as an infrastructure; and (3) Accumulation of players related to "funds intermediaries."

To this end, the following three pillars are set forth and specific measures to be developed.

- ✓ 1. Establishment of the robust financial market that helps solve social issues
~Promotion of the Tokyo Green Finance Initiative (TGFI)~
- ✓ 2. Digitalization of finance through the utilization of FinTech, etc.
- ✓ 3. Accumulation of asset managers and other diverse financial players

At the same time, as a basis for increasing the effectiveness of these measures, it is important to be more proactive than ever in disseminating information (promotion) about the Vision and specific measures both at home and abroad.

3. Specific measures

3-a. Promotion of green finance

Accelerate the development of Tokyo's green finance market

(1) Development of an information platform on ESG-related corporate initiatives, etc.

- ✓ Disclose ESG-related information on companies, etc. held by the TMG in a way

that is easy for everyone to use, while taking into account the moves by the government and Japan Exchange Group, Inc. to establish an information infrastructure and certification framework for green bonds.

- ✓ Consider the ways to effectively disclose information so that real estate can be evaluated from the perspectives of decarbonization and energy conservation in terms of finance, as well as measures to promote green buildings as more than 70 percent of CO2 emissions in Tokyo come from buildings.

(2) Support for green bond issuers

- ✓ Take measures to reduce the burden of external reviews, etc., that are required when issuing green bonds, etc.

(3) Leading the market as an anchor issuer and investor

- ✓ The TMG will maintain and improve its presence as an issuer in the market by continuing to issue green bonds and will establish a track record in social bonds to be issued from FY2021.
- ✓ The TMG will share its accumulated knowledge and know-how on green bond issuance with other local governments, etc., in order to stimulate the momentum of green bond issuance in Japan as a whole.
- ✓ The TMG will investigate and study new financial methods such as impact investment to build a financial market that contributes to solving social issues.

Attract market players and support business development

(1) Attracting and fostering green finance-related asset managers, etc.

- ✓ Implement the measures to reduce the burden of costs required for foreign financial companies working on green finance to establish their business in Tokyo; business matching with companies in Tokyo; and support for obtaining financial licenses.
- ✓ Award financial businesses that promote ESG investment through the Tokyo Financial Award (ESG Investment Category).

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- ✓ Actively disseminate information on Tokyo's green finance initiatives through seminars, etc.

(2) Encouraging green finance among SMEs

- ✓ Provide SMEs with information on global trends related to SDGs and ESG and the financing that supports these trends by holding seminars and workshops, thereby encouraging SMEs to invest in decarbonization and to disclose ESG-related information.
- ✓ Collaborate with regional financial institutions to revitalize green loans for SMEs.
- ✓ Consider measures to support transitions by SMEs, taking into account the government's guidelines on transition finance.

(3) Attracting retail investors

- ✓ Develop an environment that facilitates the participation of investors in sustainable finance, such as by requesting the government to incorporate ESG index into the reference index for Tsumitate NISA (Dollar-Cost Averaging NISA).
- ✓ Provide information on global trends related to SDGs and ESG in an easy-to-understand manner by holding seminars and symposiums.

Share information
and nurture ESG expertise

(1) Promotion of Tokyo's advanced environmental policies and dissemination of the projects

- ✓ Work on a number of projects that will lead to "Sustainable Recovery" and generate demand for green financing. In addition to the financial information provided to date, proactively disseminate information on TMG's measures and projects for decarbonization to overseas markets.
- ✓ Strengthen overseas promotion in cooperation with FCT and information dissemination taking an opportunity such as international conferences and seminars.

(2) Dissemination of information on companies with excellent environmental technologies and promotion of technology development

- ✓ Disseminate information on companies with excellent technologies through trade fairs and exhibitions of Green-Tech; and support the growth of SMEs and startups with excellent technologies and ideas in cooperation with the "Startup Ecosystem Tokyo Consortium".
- ✓ Promote approaches from the procurement side, such as adopting excellent technologies and products at administrative sites, and providing startup companies with opportunities for demonstration experiments to build their track records.

(3) Attracting and nurturing highly-skilled human resources who can drive sustainable finance

- ✓ Improve business and living environments for attracting highly-skilled and experienced financial professionals to Tokyo.
- ✓ Nurture highly-skilled financial professionals with perspectives in the field of sustainable finance by collaborating with the many universities and research institutes in Tokyo.

3-b. Financial digitalization

Attraction, establishment, and growth support for FinTech companies

(1) Attraction, establishment, and growth support for foreign FinTech companies

- ✓ Provide support to attract overseas FinTech companies by reducing their burden of initial costs required to establish a base in Tokyo, costs for strengthening business infrastructure.
- ✓ Business Development Center TOKYO provides comprehensive consulting services. Promote business expansion into Tokyo by enhancing descriptions of FinTech-related licenses in English manuals on financial license registration procedures.

(2) Growth support for FinTech companies

- ✓ Offer mentoring services, such as business plan preparation support, to the companies that passed the first-stage screening in the

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Financial Innovation Category of the Tokyo Financial Award.

(3) Creation of business opportunities for FinTech companies

- ✓ Support the promotion of FinTech companies by encouraging them to take advantage of opportunities to introduce their businesses at events hosted by overseas cities.
- ✓ Create business opportunities for FinTech companies by promoting interactions between domestic companies and FinTech companies, and between FinTech companies in cooperation with FinTech industry associations and facilities accommodating startups.

Promotion of digitalization of funds intermediaries

(1) Promotion of data utilization by asset managers, etc.

- ✓ Spread and raise awareness of the trends of digitalization in financial services, the importance of data utilization, and the promotion of the use of alternative data.

(2) Development of a fully digitalized business environment

- ✓ Make requests to the relevant organizations to promote further digitalization of applications for financial licenses and various reports

At the same time, make requests to allow for applications in English

(3) Promotion of collaboration between financial institutions and FinTech companies

- ✓ Host pitch events in cooperation with industry associations, incubation facilities, etc., as a place for matching between financial institutions and FinTech companies.
- ✓ Promote the creation of new services in collaboration with financial institutions through the TMG's Fintech fund to be established

Promotion of cashless payments

(1) Promotion of cashless payments to private businesses, etc.

- ✓ Grasp the current status and challenges of

cashless payments in Tokyo and then study measures for promotion of cashless payments from various perspectives, including the contribution to revitalization of the domestic FinTech market

(2) Promotion of cashless system in the metropolitan government

- ✓ Promote cashless payments at all TMG's facilities to accelerate the realization of digital government.
- ✓ Promote cashless tax payment for metropolitan taxes in order to enhance the convenience of taxpayers and the efficiency of internal administrative work.

(3) Study on the use of new digital technologies

- ✓ Research and study the trends and potential applications of new technologies such as blockchain and distributed ledger technology.

3-c. Accumulation of diverse finance-related players

Promotion of attracting asset managers, etc. (including FinTech companies, etc.)

(1) Development of an attractive business environment

- ✓ In addition to the tax burden reduction and regulatory review that have been focused on so far, promote the listing of foreign companies on the Tokyo market and create an environment to facilitate international arbitration in the event of legal disputes.

(2) Development of an attractive living environment

- ✓ Improve the living environment, such as medical care and education, also for accompanying family members. In particular, various measures should be taken to improve the educational environment, which is emphasized by highly-skilled financial professionals.

(3) Attraction of foreign financial companies and personnel

- ✓ Disseminate information effectively so that the development of such business and living environments as well as various types of incentive measures can be reached to target companies for attraction.

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Establishment and growth support for asset managers

- (1) Support for establishing asset managers**
 - ✓ Jointly with the national government provide an integrated service for various procedures necessary to establish a corporation and start a business.
 - ✓ Provide information and advice on licensing, business start-up procedures, etc. through experts; hold seminars where advice can be obtained from those who have experienced business start-up, etc.
- (2) Nurturing of asset managers and development of their management base**
 - ✓ Promote the Emerging Managers Program (EMP) to support the establishment and development of asset managers.
 - ✓ Strengthen the management base of asset managers by providing subsidies for outsourcing middle and back office operations, etc.
- (3) Creation of business opportunities for asset managers**
 - ✓ Promote information exchange and matching between asset managers at home and abroad and institutional investors.
 - ✓ Create business opportunities by, for example, adding the perspective of fostering emerging asset managers in soliciting managers for funds invested by the TMG.

Development of financial professionals and improvement of financial literacy

- (1) Nurturing of highly-skilled financial professionals, etc.**
 - ✓ Consider the measures to nurture highly-skilled financial professionals with perspectives in the field of sustainable finance, data scientists and human resources for legal and compliance affairs related to finance, in cooperation with Tokyo Metropolitan University, etc.
- (2) Development of the TMG's employees with expertise in international finance**
 - ✓ Develop personnel well versed in international finance in a planned manner by dispatching TMG employees to Financial Services Agency and to institutions related to

international finance (City of London, domestic and international financial institutions)

- (3) Enhancement of financial literacy of Tokyo residents**
 - ✓ Hold financial seminars for Tokyo residents during the "Tokyo Sustainable Finance Week" and at the Open University of Tokyo Metropolitan University.
 - ✓ Compile brochures for high school teachers describing financial education.
 - ✓ Promote the spread of Tsumitate NISA (Dollar-Cost Averaging NISA) and iDeCo in cooperation with the national government.

3-d. Dissemination of information on each initiative

To become a world's leading "global financial city," work closely with FinCity.Tokyo (FCT), the Japan External Trade Organization (JETRO), and other overseas financial promotion organizations to provide broad and strategic information on the attractiveness of Tokyo as a city, as well as on the TMG's specific support measures.

In addition, there are companies in Tokyo that have excellent technologies and products but have difficulty in disseminating such information in English due to human resource and financial constraints, making them "hidden gems." The initiative to support the dissemination of information on these companies in English will help attract investment to Tokyo.

Establish a system to facilitate foreign financial companies and personnel considering entering the Tokyo market to obtain information on various support measures in an integrated manner.

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4. Differences from the "vision" before the revision

The major differences from the earlier "Vision" are as follows.

- Based on Tokyo's strengths and background, the model for the city to aim for is set, in more concrete terms.
 - Taking into account its strengths, Tokyo, "as a financial hub in Asia, aims to build an investment chain that links domestic and international capital demand to world-wide capital supply". Here, the Tokyo's strengths include being the world's third largest economy, the existence of approximately 1,900 trillion JPY in personal financial assets, high level of comprehensive strengths, political stability, and firm rule of law.
- In addition, the pillars of the policy have been updated in light of the turbulent global financial environment.
 - Specifically, the pillars of the policy have been updated and grouped into three major new pillars
 - ✓ (1) Enrichment of green and other sustainable finance-related products and ESG projects as "investment targets"
 - ✓ (2) Promotion of financial digitalization as an infrastructure
 - ✓ (3) Accumulation of players related to "funds intermediaries"

- In order to promote this "Vision", Specific KPIs (Key Performance Indicators) have been established
 - The TMG set a long-term goal for 2030, and an intermediate goal for 2025 to achieve the long-term goal and will strive to deepen its efforts while monitoring the degree of achievement.
 - Below are the examples of KPIs mentioned in the new "Vision"

3 Pillars	Item	2025	2030
Promotion of green finance	Amount of green bond issuance publicly offered in Japan	1.6 trillion JPY	3 trillion JPY
	Number of FinTech companies in Tokyo	200 companies	400 companies
Digitalization of finance	Ratio of cashless payments in Tokyo	50%	80%
	Number of asset managers in Tokyo	600 companies	900 companies
Accumulation of players	Number of FinTech companies in Tokyo (reposted)	200 companies	400 companies

(Note)

The revised view described in this report is based on the revision (draft) released in July 2021. The revision (draft) is scheduled to be submitted for public comment in July and August 2021, and the content will be further brushed up, and the actual finalized "vision" will be released in the fall of 2021.

For Source and View full text of the TGFI:

Vision before the revision published in 2017

Office of the Governor for Policy Planning, "Global Financial City: Tokyo" Vision -Toward the Tokyo Financial Big Bang, Updated on November, 2017

https://www.seisakukikaku.metro.tokyo.lg.jp/en/pgs/2021/03/images/02-2_vision-en.pdf

Revision for the Vision (Draft)

Office of the Governor for Policy Planning, Revision for the "Global Financial City: Tokyo" Vision (Draft) ~ Realize Sustainable Recovery to Become a Global Financial City Leading the world ~, Updated on July, 2021

<https://www.seisakukikaku.metro.tokyo.lg.jp/en/pgs/2021/07/images/The%20revised%20%20Vision%20%28draft%29.pdf>