

Japan sees Asia Region Funds Passport as a gateway to interact with Asia

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Japan facilitates cross-border offering of funds in Asia

Japan joined Asia Region Funds Passport

On 11 September 2015, Financial Service Agency (FSA) as Japanese financial regulator announced that the Japan has decided to join the Asia Region Funds Passport (ARFP) in last minutes to be considered as an **Original Participating Economy**.

The ARFP is the first mutual recognition scheme for funds established in Japan. It facilitate opportunities for investors in other countries of Asia to invest into funds developed in Japan, makes it easier for distributors in Asia to offer the funds to their home market, and provide asset managers in Asia access to Japan's huge retail fund market.

Implications to fund distributors in Asia

Fund distributors in Asian jurisdiction as a member of the ARFP can **import** Japanese funds operated by Japanese asset managers to their home market more easily than before and enhance their product line-up by adding the funds in which the retail investors may have interest.

Implications to asset managers in Asia

Asset managers in the jurisdiction may **export** their funds into Japanese retail funds market more easily than before and will be able to expand their business by increasing customer bases throughout the Asia.

Who should pay attention to this regulation?

This report should be of interest to the following parties;



Financial entities who are interested in distributing Japanese funds to their retail market



Asset managers who plan to offer their funds to Japanese retail market



Professionals who seek better understanding of Japanese funds or Japanese retail market

What is "Asia Region Funds Passport"?

Asia Region Funds Passport refers to the arrangements to allow a CIS approved in one economy to be offered in another economy with streamlined process.

- (1) Already covers large and growth market in Asian region with potential increase of participant economy
- (2) Commence in mid 2017 followed by two another passport schemes in the region
- (3) Form regional block and circulate money within the region

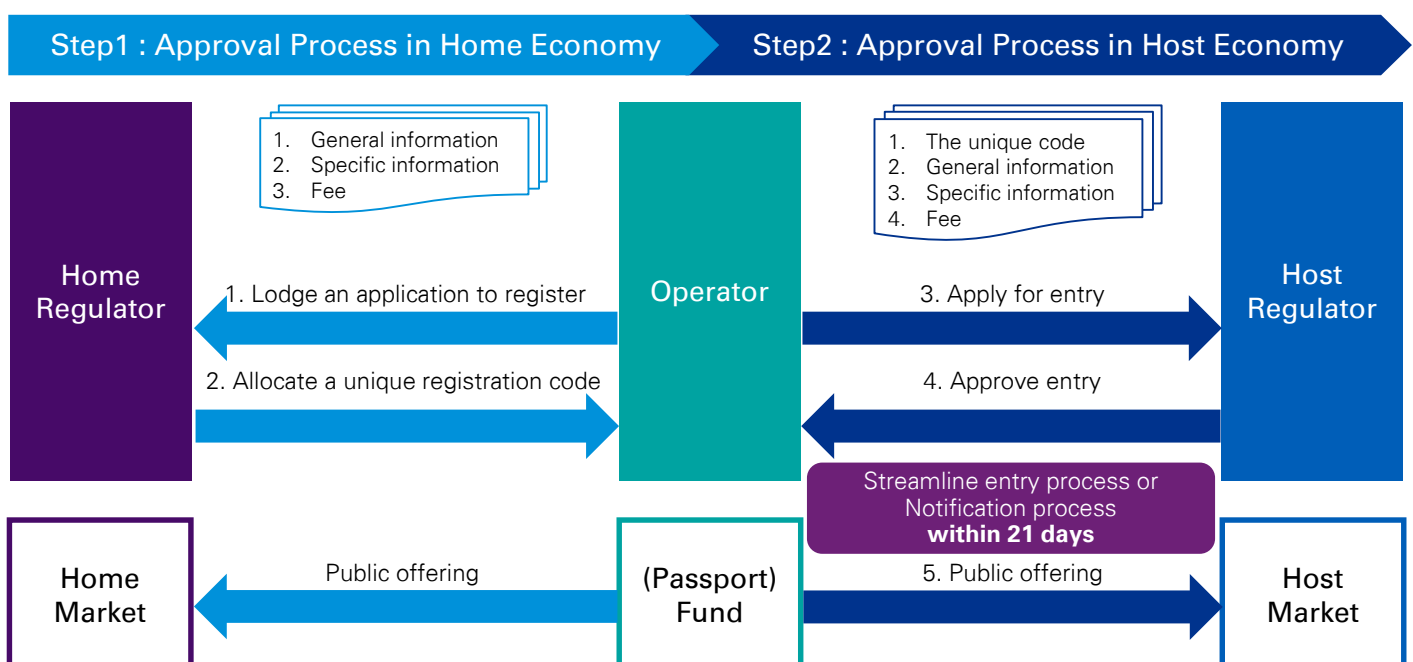
Overviews of Asia Region Funds Passport

The implementation of the ARFP is approaching and when it comes into force, we will see passport funds offered across the many economies including Japan.



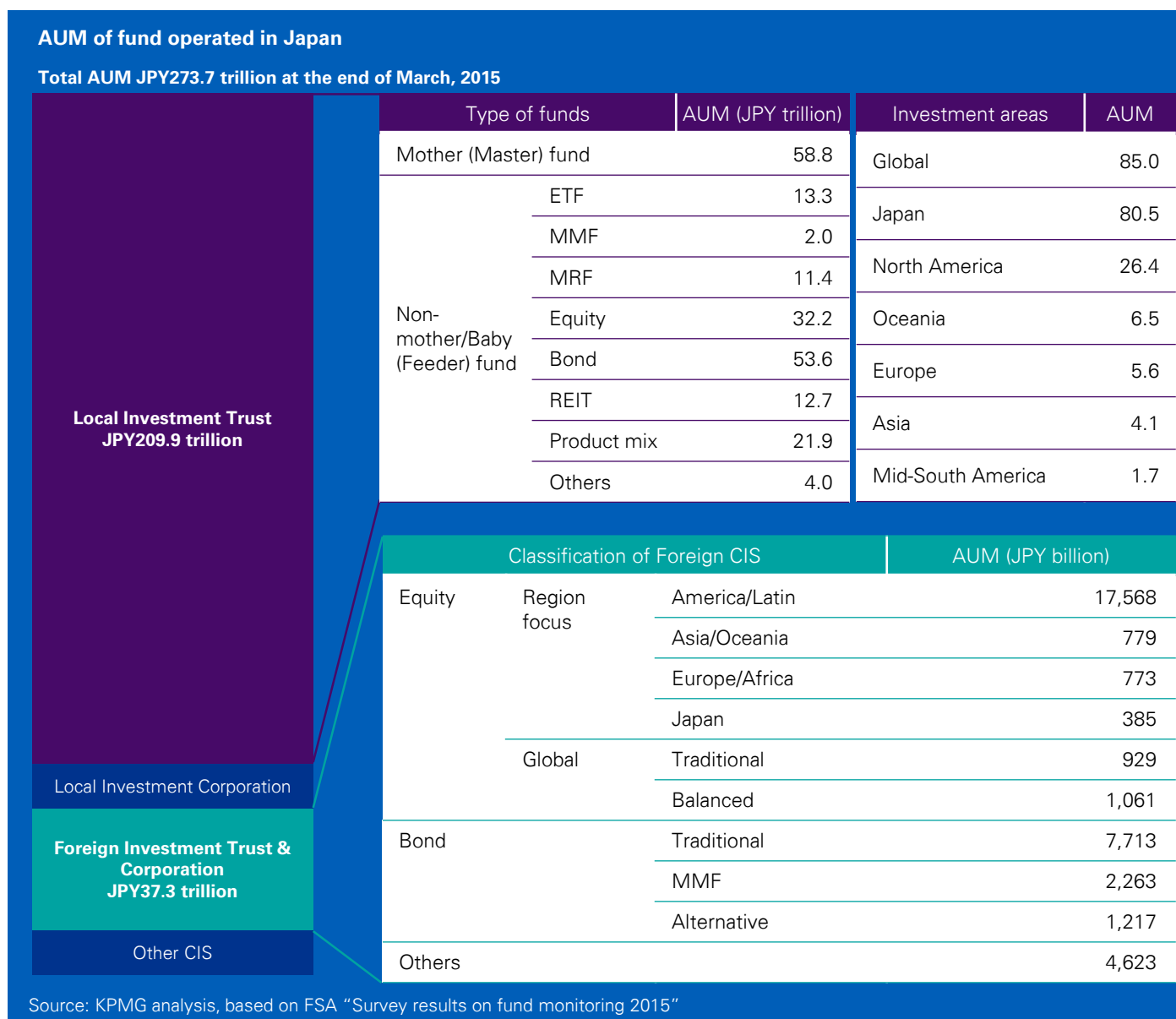
Approval process for cross-border offering of a Passport Fund

The biggest advantage to be a Passport Fund is to take the streamlined entry process to the host market, the process which it used to take, in general, several months.



Overall fund market structure in Japan

The following chart shows (1) local investment trust accounts for three quarter of fund market in Japan, and investment corporation scheme is disfavored, and (2) foreign funds account for 13.6% of the market in total for both investment trust and investment corporation. The upper right table shows the breakdown of local funds by product and investment area. The bottom right table shows the breakdown of the product types of foreign funds.



How well do you understand the funds, market and tax in Japan?

The ARFP can provide both fund distributors and asset managers in the ARFP member economies outside of Japan with great opportunities to expand their businesses to Japan. For fund distributors, the ARFP can enhance their product line-up by adding funds that have only been sold in Japan. For asset managers, the ARFP can give them easier and faster access to Japanese funds compared to non-labeled funds.

In any of cases above, the stakeholders need professional advices such as what is shown below on Japanese funds and fund market, in order to take full advantage of this opportunity.

Research	Planning	Development	Compliance
Funds to be a Passport, Fund market structure Tax treatment	Regulatory advises Road mapping Tax consulting	Risk management Internal control Compliance policy	Implementation review Financial audit Tax reporting

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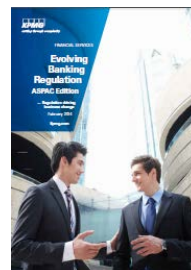
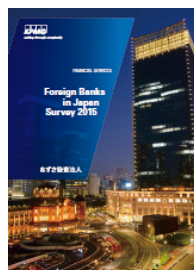
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The AMG provides professional services that address industry-specific issues, including fund audits, internal controls, risk management and regulatory advisory, as well as supporting the enhancement of investment management operations to deal with the challenges investment managers may face, by utilizing KPMG's global network.

If you would like to arrange a discussion, please contact one of our KPMG Regulatory Centre of Excellence of Financial Risk Management Consulting team members or your regular KPMG contact.

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