

<b>Committee(s)</b>	<b>Dated:</b>
Public Relations & Economic Development Sub-Committee Policy & Resources Committee	10 <sup>th</sup> September 2019 19 <sup>th</sup> September 2019
<b>Subject:</b> Japan FPS Strategy Update	<b>Public</b>
<b>Report of:</b> Damian Nussbaum, Director of Innovation & Growth	<b>For Decision</b>
<b>Report author:</b> Aimee Burnham, Innovation & Growth	

### Summary

Japan is the world's third largest economy, and one of the most important partners for the City - \$12bn of FDI in London, 65 Japanese FPS firms employing over 12,000 people. Japan has a strong savings/insurance culture, with \$16tr of domestic savings assets which London can help diversify through global asset management, green finance, capital markets and fintech investment. Japan's sophisticated banks and other financial institutions are also good clients for UK FPS innovation.

However, the prospect of Brexit is unsettling for conservative Japanese business, whilst tech and innovation are opening new opportunities. The City Corporation has an important role to play in reassuring current investors, encouraging new ones, sustaining current FPS trade and shaping post-Brexit arrangements. Our strong relationships with Japanese business, government and the Tokyo Metropolitan Government provide the channels for influence.

Officers have updated the City Corporation's Japan FPS Strategy to include workstreams and delivery channels for Members to agree and this is included in the annex of this report.

### Recommendation

Members of the Public Relations and Economic Development Sub Committee are asked to recommend to the Policy and Resources Committee that:

- The updated City of London Corporation Japan Strategy including Workstreams and Delivery Channels in Annex A be approved.

### Main Report

#### Background

Members have approved the developing international strategy for IG (previously EDO) as part of the Business plan. The Mayoral Visits Advisory's Committee agreed in July for the Lord Mayor to visit Japan in 2020 and this sets out the strategic framework for that visit and wider engagement.

## Objectives

The City Corporation's Japan Strategy will focus on four core objectives:

1. **Investment.** To preserve current Japanese investment stock in the City and build new pipelines for future investment.
2. **Trade.** To promote to Japan the London/UK FPS offer, especially innovation.
3. **Influence Future Regulatory Co-operation and Trade Policy,** to protect and enhance FPS trade and investment.
4. **Partnerships.** To build strong business, government and London-Tokyo partnerships to deliver investment, trade and regulatory cooperation.

## Financial Implications

The estimated cost for the Japan Strategy is approx. £20k annually to come from existing resources within local risk budget. This figure covers only the programme element of the strategy but excludes staff costs and costs incurred by other City of London departments; for example, the Lord Mayors visit is budgeted for from the agreed MVAC budget held by Mansion House.

## Corporate Implications

This strategy delivers against 7b and 7c of the Corporate Plan under the objective 'To Support a Thriving Economy'.

## Conclusion

Japan is a top tier priority market for the City of London Corporation, with large investments in the City, and at a crucial time through Brexit, it is important for the City Corporation to increase engagement with key stakeholders and investors to protect existing investments and support the growth of new trade and investment opportunities. Members are now asked to review the updated City Corporation Strategy on Japan and approve the changes.

### **Aimee Burnham**

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## Annex A

### Japan Strategic Plan

To support and deliver against our core objectives the City of London Corporation will focus on four work streams:

#### Strategic Workstreams

##### 1. Investment

- **Retention:** Japan has built up \$12 billion of FPS investments in London over the last few decades with over 65 firms present here including mega banks (MUFG/SMBC/Mizuho), insurance companies and asset managers. Strong engagement by the City Corporation at all levels with key institutions is important to demonstrate the value we place on these investments. Our focus will be to stabilise Japanese investment stock in London and in time increase.
- **Fin Tech:** represents a large opportunity for future investment into London and the UK. Japanese mega banks are looking for the talent and ecosystem in London to drive internal innovation. Innovation and Growth directorate supported MUFG in 2018 to establish an Innovation office in the square mile and there is further opportunity to persuade other mega banks to use London as their base for innovation. IG will focus on marketing of the London/UK offer to key institutions to generate further FDI in London.
- **Green Finance/ESG:** Green finance in Japan is gathering momentum and there is an opportunity to promote the UK's capabilities in ESG investing and the innovative products being developed. GPIF, the world's largest pension fund, for example, is taking an ever stronger interest in ESG investing. Engaging Pension funds like GPIF and other major asset owners in ESG and the Green agenda is a large investment opportunity for London. Alderman Sir Roger Gifford is already engaged in promoting UK expertise in Japan and is invited annually as guest speaker by the British Embassy to their Green Finance Seminar in Tokyo, as well as advising Tokyo Government on establishing a Green Finance Initiative based on the UK's model. We will focus on presenting the London offer to Japanese institutional investors to create inward flows of capital.
- **Capital Markets** and partnership between LSEG/Japan Stock Exchange to support dual listings is also an area for growth. In 2018 we successfully worked with LSEG to launch the first ever ETF dual listing and will be supporting LSEG/JPX to create further listings.

##### 2. Trade

- **Asset Management:** Japan has a mature market with \$16 trillion of savings, an ageing population and low interest rate environment. There is an urgent need to offer a variety of products and domestic players don't have the skills or expertise to provide this. Japanese Government wants to attract foreign entrants to diversify these products and skills base representing an export opportunity. Tokyo Government has set an ambition of attracting up to 40 foreign asset management firms by 2020. In 2018 the Lord Mayor took a strong asset management delegation to Tokyo and announced the opening

of UK firm, Alegrbis investments but demand is high for further UK expertise. Our focus will be on supporting Asset Managers to access Japan and drive new export wins.

- 3. Influence Future Regulatory Co-operation and Trade Policy.** Post Brexit there will be an urgent need to create a new trading relationship and partnership with Japan in services. Working with HMG, and through bodies like TCUK, we will support the development of the future trading partnership to ensure regulatory collaboration and cooperation. This includes working with HMT on the Global Financial Partnership with Japan and supporting Financial Dialogues through business and industry engagement.
- 4. Partnerships.** Our aim is to ensure London is the FPS partner of choice for Tokyo. Tokyo Metropolitan Government has asked for the City of London's cooperation to work on areas of shared trade interest to provide mutual benefits to both cities on Asset Management, Fin Tech and Green. We will focus on ensuring a continuing and regular dialogue at senior level with the Governor of Tokyo, the new Financial Mayor of Tokyo and other key stakeholders through the Lord Mayor, Policy Chair and other senior members.

### **Delivery channels**

**Senior level City engagement:** Lord Mayor, Policy Chair and other senior member engagement with key Japanese stakeholders in London and Japan including the Governor of Tokyo and new Financial Mayor of Tokyo. Regular meetings with Japanese Ambassador in London, Bank of Japan and other key stakeholders (see Annex B).

**Business Relationship Management** of key Japanese existing and future investors in London and Tokyo, working with British Embassy Tokyo and Dept of Trade as well as TheCityUK to align and share intelligence.

**Outbound and Inbound visits,** including a yearly Lord Mayoral visit to Japan and other senior member and officer activity. In the last two years IG, working with Mansion House team, has delivered two outward trade visits to Tokyo with the Lord Mayor, including a strong delegation of 10 Asset Management firms (one of which announced a new office in Tokyo, Alegrbis Investments). IG has also led on three high level inward delegations over 2018/19 including the Governor of Tokyo (Koike san) and i planning a significant event in Q1 2020 with Tokyo Government.

### **Memorandum of Understanding (MoU)**

The MoU between City Corporation and Tokyo Government signed in 2017 provides a strong platform to support TMG ambitions to develop Tokyo as a Financial Centre and related collaboration and trade opportunities in areas like Asset Mgt. The MoU has supported a renewed partnership between London Stock Exchange and Japan Exchange Group to support dual listing opportunities and the first dual listing of an ETF took place this year.

### **Japan Market Advisory Group**

The Policy Chair is a member of The City UK's Japan Market Advisory Group, which meets quarterly and chaired by Sir David Wright, ex-British Ambassador to Japan. The City of London Corporation has an opportunity to both support the work of this group and also influence the future trade policy relationship by influencing JMAG recommendations to UK Government.

### **UK-Japan Financial Dialogue and HMT trade policy**

In December 2018 we hosted the UK-Japan Financial Dialogue Business Roundtable and we continue to work closely with HMT on the future bilateral relationship and trade policy agenda under Global Financial Partnerships, which are important initiatives for the bilateral relationship.

### **Marketing and Communications.**

Integrated marketing and communications support will help drive greater reach and influence with target in-market audiences to both reinforce the UK's overall brand offer for FPS, and to embed key messages around the specific workstreams outlined. Leveraging both local partnerships and UK Government networks will be an effective and efficient mechanism to build reach. Existing City of London Corporation communications streams including media relationships, COLC spokespeople, and [www.theglobalcity.uk](http://www.theglobalcity.uk) will be utilised and further communications channels including advertising, print and digital can be deployed as appropriate.

## **Annex B**

### Key Stakeholders

#### Japan

- Tokyo Metropolitan Govt
- Japan Exchange Group
- Japan Bankers Association
- Japan Security Dealers Association
- Japan Financial Services Agency
- Ministry of Finance; Bank of Japan;
- MUFG
- Mizuho
- SMBC
- Sompo
- Tokyo Marine
- GPIF
- Daiwa securities
- Nippon securities
- Doreming

#### UK

- TCUK Japan Market Advisory Group (Sir David Wright)
- Investment Association (Simon Ellis, Japan lead)
- Green Finance Institute
- Innovate Finance
- City, London University
- LSEG
- Aberdeen Standard Life
- Schroeder's
- Octopus Ventures
- HSBC
- Barclays
- Janus Henderson
- Algebris Investments
- Ballie GiffordMotive Partners

## **Annex C**

### Timeline

#### 2018

- Jan Tokyo Met Government working level visit to London
- April Alderman Sir Roger Gifford chaired Green Finance seminar in Tokyo
- July Lord Mayor visit to Tokyo supported by delegation of asset managers.
- Oct Governor of Tokyo visit to London at the end of October 2018 accompanied by a financial services delegation.
- Dec Hosted the 2nd UK- Japan Financial Dialogue in Guildhall in collaboration with TheCityUK and organised a business event ahead of the FD

#### 2019

- February LM visit to Tokyo
- March Hosted Japan Security Dealers Association inward visit to London
- May Alderman Sir Roger Gifford Green Finance seminar in Tokyo
- June Secondment to ColC from TMG
- July New FS mayor visit to London  
LM to host LSEG Japan Advisory Group at MH for lunch (with advisory group, UK Ambassador to Japan, and Sir Roger Gifford)  
CPR speech at celebratory market opening at LSE

#### 2020

- Jan Support 3rd UK Japan Financial Dialogue with Business event working with TCUK
- April Green Finance Seminar in Tokyo by Alderman Sir Roger Gifford
- May LM visit to Tokyo /Osaka
- September FinSum Fintech summit Tokyo
- Oct Return LM visit to Tokyo