

Investment Company Institute Hails Progress in Trade Agreement with Japan, February 1996

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Washington, DC, February 26, 1996 - The Investment Company Institute, the association of the U.S. mutual fund industry, applauds continuing efforts by the U.S. and Japanese governments to open Japan's pension and investment trust (mutual fund) markets to increased competition.

In a letter to Treasury Secretary Robert E. Rubin, Institute President Matthew P. Fink wrote: "In the year since the agreement was signed, the Japanese government has taken a number of specific steps that are providing access for U.S. money managers in Japan. We appreciate the tireless efforts of the Treasury Department to negotiate this landmark agreement and the thoroughness with which you have followed the implementation process."

In his letter, Mr. Fink outlined these key areas in which progress has been made since a U.S.-Japan trade agreement was announced last year:

- U.S. firms have obtained licenses to enter Japan's mutual fund market for the first time, now that Japan has streamlined regulations to reduce costs to foreign firms. Specifically, the same firm can obtain both a license to manage pension assets and a license to manage investment trusts. Previously, a firm had to have separate capital, facilities and personnel for each of these related businesses.
- Foreign investment advisers are now permitted to manage a portion of Japan's public pension plan assets by entering into special partnerships.
- Japan will now permit foreign advisers to manage larger portions of corporate Employee Pension Funds.
- Japan will end strict asset allocation rules applied to public and private pension assets, allowing investment managers to offer specialized management services.

Despite the progress, Mr. Fink noted, there are areas in which changes still need to be made. Among changes the Institute supports:

- The partnership vehicle that allows foreign advisers to manage public pension assets is still cumbersome and could be improved and streamlined.
- Provisions of the agreement calling for the development of asset valuation and performance reporting systems for both pension and mutual fund managers still need to be implemented. "Without accurate valuation and performance measurements, U.S. firms will be denied the opportunity to compete based on performance," Mr. Fink said.
- Opening the market for Tax Qualified Plans, the other type of corporate pension plan in Japan, to foreign investment advisers. These plans, with total assets of about \$160 billion, can still be managed only by trust banks and insurance companies.