



# Panel Discussion 3

## Financial Investment Promotion and Incentives

October 25, 2013

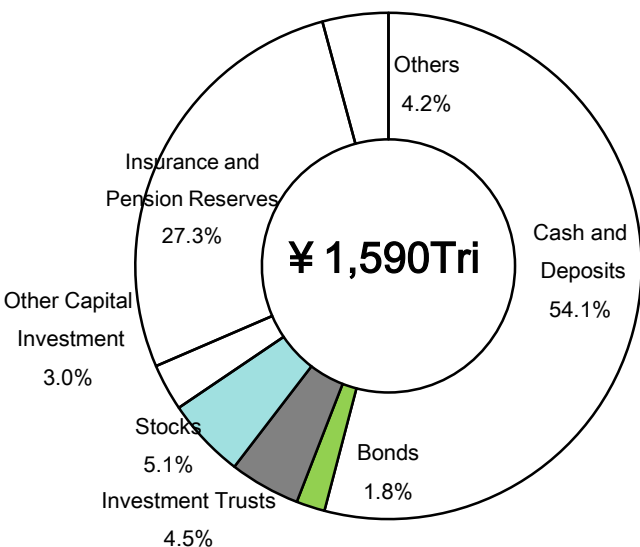
Koichi Ishikura

Executive Chief of Operations for  
International Headquarters

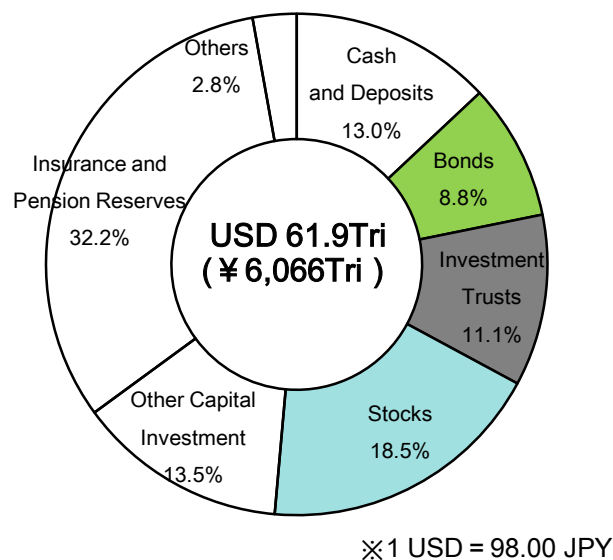
**Japan Securities Dealers Association**

# 1. Financial asset composition of household sector (1)

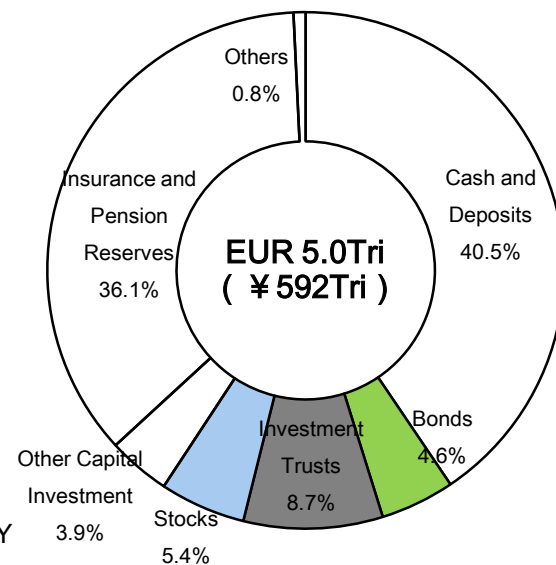
**Japan**  
(End of March 2013)



**United States**  
(End of June 2013)



**Germany**  
(End of March 2013)

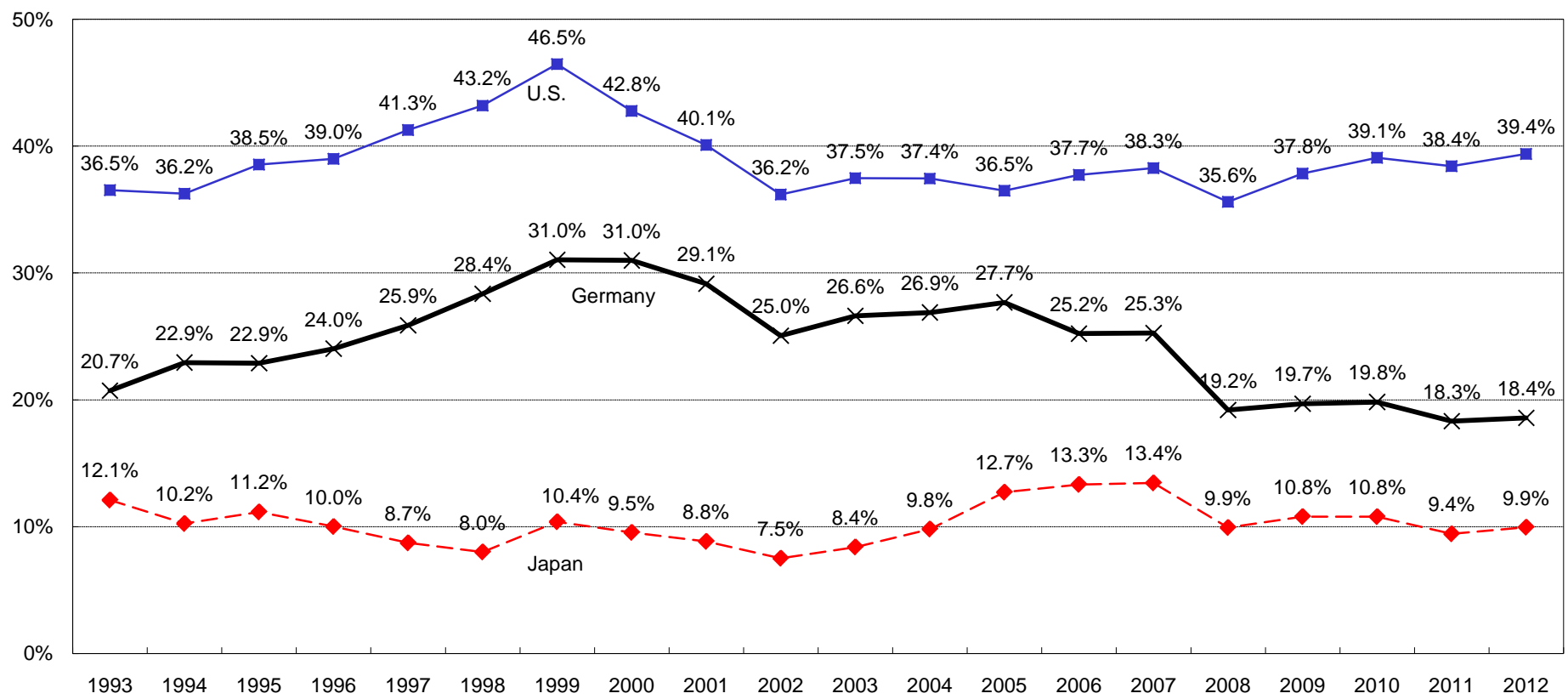


(Sources) Japan: Japan's Flow of Funds Accounts (BOJ), US: Flow of Funds Accounts of the United States (FRB), Germany: Financial Accounts (Deutsche Bundesbank).

# 1. Financial asset composition of household sector(2)



(Ref.) Percentage of household assets held in stocks, investment trusts and bonds



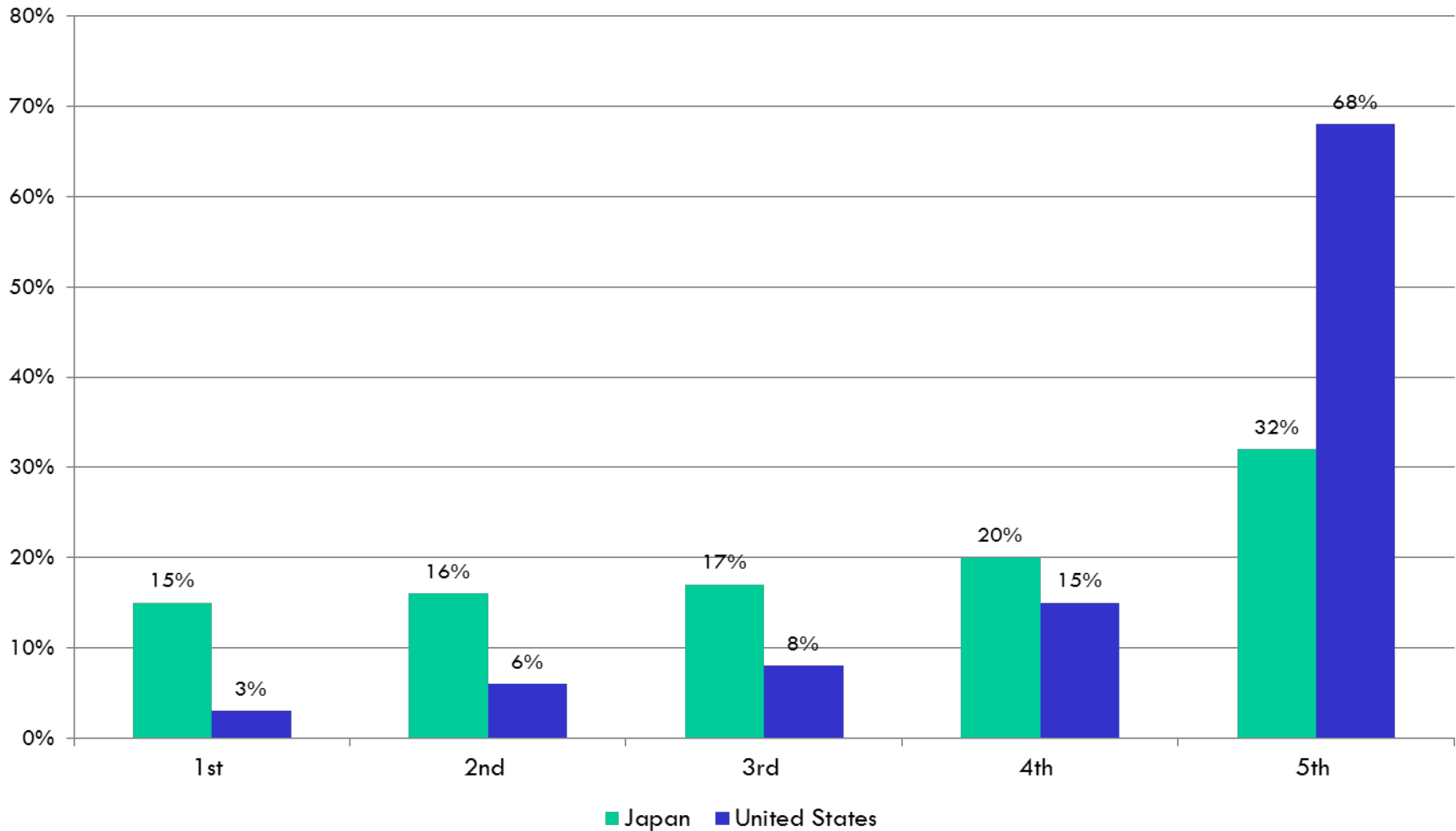
Note: The figures for Japan from 1993 to 1996 are on a fiscal year basis.

(End of)

(Sources) Japan: Japan's Flow of Funds Accounts (BOJ), US: Flow of Funds Accounts of the United States (FRB), Germany: Financial Accounts (Deutsche Bundesbank).

# 1 . Financial asset composition of household sector(3)

## Net Worth Distribution (Income quintile; Japan and U.S.)

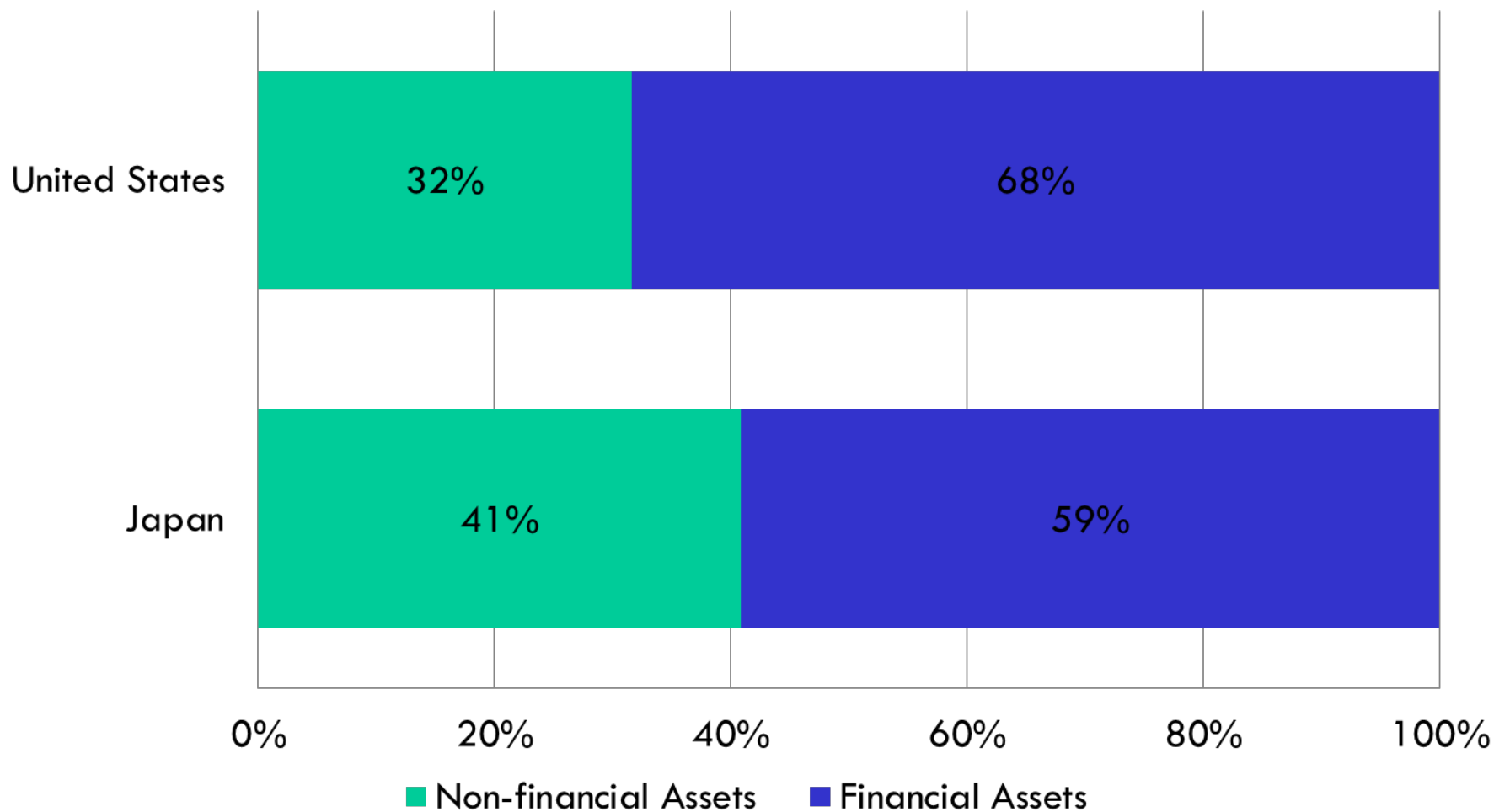


(Source) IMF GFSR2005 Ch.3 Household

# 1 . Financial asset composition of household sector(4)



Household Sector : Total Asset Compositions (Japan and U.S.) (end-2011)



(Sources) Japan : System of National Accounts (Cabinet Office), US: Flow of Funds Accounts of the United States (FRB)

## 2. Why investment should be promoted?

- 1) To achieve efficient allocation of funds and resources to growth areas effectively utilizing household financial assets amounting to US\$16 trillion
  - Bank finance (indirect finance):  
financing system relying on investment decisions by banks
  - Market-based finance (direct finance):  
financing system based on market mechanism processing decisions by fundraisers and investors
  
- 2) To disperse risks: avoid excessive risk concentration  
(Japan's experience)  
Non-performing loan problems during 1990s which was caused by excessive risk concentration to the banking sector
  
- 3) To support medium- and long-term asset building by individuals  
Growing concern about social security and pension systems in the rapid demographic change  
⇒ rising importance of self-reliant efforts to prepare for the future

# (Ref.) Old-age Dependency Ratio

Country or Region	1990	2020	2050
Japan	17	49	72
Asia	8	13	27
United States	19	26	36
Europe	19	29	47

The old-age dependency ratio is the ratio of the population aged 65 years or over to the population aged 15-64.

(Source) "World Population Prospects" (United Nations Population Division)

# 3 · Incentives and measures to promote investment



- 1) Ensuring market integrity and transparency (prerequisite)  
(including sound corporate governance and adequate disclosure)
- 2) Promoting financial literacy
- 3) Providing tax incentives
- 4) Introducing flexible and efficient frameworks for risk money supply  
(e.g. crowdfunding)



# 4 · Recent policy initiatives in Japan



## 1) Introduction of NISA:

NISA = tax exemption scheme for small amount investment by individuals

## 2) Ongoing consideration of risk money supply schemes:

- Crowdfunding, etc.