

Proposals for Specially Permitted Businesses for Qualified Institutional Investors, etc.

April 2014
Consumer Commission

【Development】

- Specially permitted businesses for qualified institutional investors, etc. (hereinafter the “Specially Permitted Businesses”) are so-called “fund services for professional investors” under the Financial Instruments and Exchange Act. If an entity engaged in the Specially Permitted Businesses solicits more than one qualified institutional investor such as bank and less than forty-nine general investors for acquisition of a fund, it can make such solicitation, provided that it has submitted the “notification” and is not required to be “registered.” Furthermore, the applicable sales and solicitation regulations have substantially been eased. For these reasons, inappropriate solicitations have been made for individuals with poor investment experience, mainly elderly citizens, triggering many consumer damages.
- In December 2013, the National Consumer Affairs Center has sought consumer attention, and has submitted its requests to the Financial Services Agency and the Securities and Exchange Surveillance Commission. The Consumer Commission has conducted investigations and discussions in collaboration with the National Consumer Affairs Center.
- The Financial Services Agency has sincerely discussed how the consumer protection system should be, and the outcomes of such discussion are expected. On April 18, the Securities and Exchange Surveillance Commission submitted to the Commissioner of the Financial Services Agency and others the recommendation that it is necessary to take appropriate measures to prevent general investors from suffering damages, including more stringent requirements for investors of the Specially Permitted Businesses.

【Outline of the Proposal】

1. Revision of the scope of investors in the Specially Permitted Businesses

It should be revised such that the requirement for being an investor that continually engages in investible financial transactions with at least hundred millions of surplus funds on one year basis be satisfied.

2. Exclusion of malicious business operators

In tandem with the system review, the Financial Services Agency and the Securities and Exchange Surveillance Commission should further carry out their various efforts to proactively exclude malicious business operators, thereby driving more sound markets.



The Consumer Commission expects these proposals that present concrete measures to the Financial Services Agency to contribute to review of how the system should be, resulting in sound development of the financial market, together with the recommendation of the Securities and Exchange Surveillance Commission, and requests that living funds of individual consumers with no knowledge, experience and tolerance, and life savings of elderly citizens may not be easily spent on investment funds, resulting in destruction of their lives.