

## **The Role of Foreign Financial Institutions in Japan's Economic Transformation**

### **The International Bankers Association of Japan**

The International Bankers Association of Japan (IBA Japan), despite its name, is not confined to the banking sector alone. It is an organization that broadly represents the voices of foreign financial institutions operating in Japan across the entire investment chain, including banks, securities firms, and asset management companies. Established in 1984 as a non-profit organization, the Association has steadily grown to represent the vast majority of foreign financial institutions active in Japan.

The decision to welcome asset management firms as new members in 2024 marked a significant expansion of the Association's scope. It extended the role the Association has long played in the banking and securities sectors into the asset management field, while also serving as a strategic statement of intent to support Japan's ongoing economic and structural reforms from a financial perspective.

Today, the Association comprises more than 120 member institutions from 26 countries. In the asset management sector in particular, a wide range of business models is represented, including active and passive management, traditional and alternative investments, wealth management, private equity, and engagement investing. This growing diversity has further enhanced the visibility of an international investment ecosystem linking Japan with global markets.

While universal banking—where banking, securities, asset management and other financial services are offered in an integrated manner—has become the norm in many overseas markets, Japan has long maintained strict firewall regulations under the principle of separation between various types of financial businesses. For many years, the Association has advocated for gradual regulatory reform. It continues to argue for the need to create an environment that enables the provision of higher-quality financial services while ensuring robust customer protection, grounded in the principle of “customer-oriented business conduct.” The Association's own governance reflects a “one-stop shop” philosophy, balancing the aggregation of common interests among its diverse membership with respect for individual needs where appropriate.

Underlying these efforts is a history of candid and constructive dialogue between regulators—including the Financial Services Agency, the Ministry of Finance, the Bank of Japan, and the Ministry of Justice—and market participants, through which mutual trust has been steadily cultivated. As a result, progress has been made in improving the market

environment in ways that benefit customers, whether individuals, corporations, or institutional investors, both domestic and international.

In recent years, as geopolitical risks and divisions in values threaten economic and social stability, the importance of speaking and acting in concert as a unified voice within the financial industry has grown ever greater. Recognizing this, the Association has strengthened cooperation with major domestic organizations such as the Japanese Bankers Association, the Japan Securities Dealers Association, and the Investment Trusts Association, and in 2025 launched a long-term personnel exchange program with the Japanese Bankers Association. This initiative, aimed at deepening mutual understanding and trust, has already begun to yield tangible results, with further expansion of collaboration with other organizations also under consideration.

Governments these days often talk about “like-minded partners”. The same should prevail within the financial industry. Finance is not an end in itself, but a means. Transcending individual interests and utilizing finance as a tool for the benefit of society is what will lead to the realization of a more sustainable and better socio-economic future. Fulfilling that role is a responsibility shared by all financial institutions, whether foreign-affiliated or domestic.