

---

---

# AMT/NEWSLETTER

## Banking & Finance

---

March 14, 2025

### Introduction of “Simplified” Type 1 License

[Kunihiko Morishita](#) / [Akihito Miyake](#)

#### Contents

---

1. Background
2. How is a Type 1 License “simplified”?
3. What business activities are permitted under the “simplified” Type 1?
4. What is the scope of “unlisted securities”?
5. What is the scope of “professional investors”?
6. Key takeaways

## 1. Background

On May 15, 2024, the Diet passed into law amendments to the Financial Instruments and Exchange Act (the “FIEA”) (the “Amendments”). While the Amendments contain many important measures, one of the noteworthy measures is to deregulate the requirements for the registration of a Type 1 financial instruments business (a “Type 1 License”) under the FIEA for a person who engages only in the distribution of unlisted securities to certain professional investors. The proposed subordinated regulations under the Amendments relating to the introduction of a new special intermediary business operator license dealing with unlisted securities, which is the so-called “simplified (or attenuated)” Type 1 License, have undergone the public comment process and are in the process of finalization. They are expected to become effective around early May 2025.

As this new “simplified” Type 1 License is expected to be useful for the distribution of certain foreign investment funds in Japan, in this newsletter we provide a summary of the new license framework.

## 2. How is a Type 1 License “simplified”?

Hitherto, a person who offers units of a foreign investment trust or shares of a foreign investment corporation for and on behalf of the issuer, as a primary trading, to investors in Japan is generally required to obtain a Type 1 License. Similarly, a person who acts as an intermediary for a secondary sale and purchase of such units or shares of such investment funds in Japan is also generally required to obtain a Type 1 License. However, the requirements for a Type 1 License are relatively cumbersome, which might have hindered foreign asset managers from entering the Japan market for the distribution of their foreign investment fund products to Japanese investors. More specifically, an applicant for a Type 1 License is required to, among others, (1) meet the minimum capital requirement of JPY 50 million, (2) have net assets of JPY 50 million or more, (3) meet the capital adequacy ratio of 120% or more, and (4) be a member of the Japan Investor Protection Fund (the “JIPF”). In addition, such an applicant is required to have a sufficient personnel structure, among others, to have more than one full-time staff who has at least three years’ experience in engaging in the same business as the contemplated Type 1 financial instruments business.

Whereas, the Amendments have lowered the requirements of (1) minimum capital and (2) net assets, respectively, from JPY 50 million to JPY 10 million, and exempted the requirements of (3) capital adequacy ratio and (4) the JIPF membership. The full-time staff requirement mentioned above has been replaced with the requirement to have at least one full-time staff who has at least one year’s experience in engaging in the same business as the contemplated Type 1 financial instruments business.

That said, it should be noted that the Amendments do not ease any other requirements for a “simplified” Type 1 License. Therefore, an applicant for a “simplified” Type 1 License is still required to, among others, have a sufficient personnel structure and an internal organizational structure to soundly engage in the relevant “simplified” Type 1 financial instruments business, have a local office in Japan, and be incorporated as a Japanese joint stock company (*kabushiki kaisha*) or a foreign company equivalent thereto<sup>1</sup> that engages in the business similar to the relevant “simplified” Type 1 financial instruments business in its home jurisdiction and has a local representative in Japan.

A “simplified” Type 1 financial instruments business operator is exempted from the ongoing requirements applicable to a normal Type 1 financial instruments business operator, such as laying aside the financial instrument transaction liability reserves, and the calculation and maintenance of its capital adequacy ratio.

---

<sup>1</sup> This means such foreign company must have (i) a board of directors consisting of at least three directors and at least one corporate auditor (*kansa-yaku*), (ii) a board of directors and an audit and supervisory committee consisting of at least three directors, a majority of which must be independent directors, or (iii) a board of directors and three committees (*i.e.*, an audit committee, nominating committee, and remuneration committee) consisting of at least three directors, a majority of which must be independent directors, respectively.

### 3. What business activities are permitted under the “simplified” Type 1 License?

A “simplified” Type 1 financial instruments business operator is permitted to offer “unlisted securities” for and on behalf of the issuer, as a primary trading, to “professional investors” in Japan. It is also permitted to act as an intermediary for a secondary sale and purchase of “unlisted securities” in Japan on the condition that the purchaser is a “professional investor” while the seller is a “professional investor” or a “non-professional investor” who is not solicited by the “simplified” Type 1 financial instruments business operator.

In any case, a “simplified” Type 1 financial instruments business operator is generally prohibited from receiving its clients’ money or securities; provided, however, in exceptional cases it may receive its clients’ money on the condition that the receipt of such money is necessary for settlement purposes, and it does not hold such money for over one week.

### 4. What is the scope of “unlisted securities”?

A “simplified” Type 1 financial instruments business operator may deal with “unlisted securities”, meaning securities that are not listed on a Japanese stock exchange or traded on a Japanese over-the-counter market<sup>2</sup>. This means that a “simplified” Type 1 financial instruments business operator may deal with units of a foreign investment trust and shares of a foreign investment corporation that are not listed on a stock exchange in any jurisdiction, or which are listed on a stock exchange outside of Japan like foreign exchange-traded funds (“ETFs”). It should be noted, however, that a “simplified” Type 1 financial instruments business operator may not deal with any foreign collective investment scheme products like foreign limited partnership interests. A person who offers foreign collective investment scheme products to investors in Japan is generally required to be registered as a Type 2 financial instruments business operator.

### 5. What is the scope of “professional investors”?

In the context of a “simplified” Type 1 License, “professional investors” means those who fall under any of the following categories, while “non-professional investors” means those who do not fall under “professional investors”:

A) “Specified investors” (*tokutei toushika*)<sup>3</sup> as defined in the FIEA, which are comprised of the following:

- 1 Specified investors who cannot become non-specified investors:
  - 1.1 Qualified institutional investors (*tekikaku kikan toushika*) (“QIIs”) as defined in the

---

<sup>2</sup> Currently there is no such over-the-counter market in Japan.

<sup>3</sup> *Tokutei toushika* is often also translated into English as “professional investor(s);” however, for the purpose of the “simplified” Type 1 License, “professional investors” includes, and is broader than, *tokutei toushika*, that for distinction is translated as “specified investors” in this newsletter.

- FIEA (see [Appendix](#));
- 1.2 The Government of Japan; and
  - 1.3 The Bank of Japan.
- 2 Specified investors who may offer (but have not offered) to be treated as non-specified investors:
- 2.1 Special corporations (*tokushu houjin*), and Independent administrative agencies (*dokuritsu gyousei houjin*);
  - 2.2 The JIPF;
  - 2.3 Deposit Insurance Corporation of Japan;
  - 2.4 Agricultural and Fishery Cooperatives Savings Insurance Corporation;
  - 2.5 Insurance Policyholders Protection Corporations;
  - 2.6 Specified purpose companies incorporated under the Act on Securitization of Assets;
  - 2.7 Companies whose shares are listed on a Japanese stock exchange;
  - 2.8 Joint stock companies whose capital is reasonably expected to be JPY 500 million or more;
  - 2.9 Financial instruments business operators registered under the FIEA; QII Exemption filers under the FIEA; and Foreign Investor Exemption filers under the FIEA; and
  - 2.10 Foreign companies.
- 3 Non-specified investors who have offered and accepted to be (and continue to be) treated as specified investors:
- 3.1 Juridical persons who do not fall under any of categories 1 and 2 above;
  - 3.2 Natural persons (other than QIIs) who fall under any of the following categories:
    - 3.2.1 General partners of collective investment schemes such as a silent partnership, partnership, and limited liability partnership; provided, however, that the total capital contributions to such collective investment scheme must be JPY 300 million or more, and all the partners' consents must be obtained;
    - 3.2.2 Those who meet the following conditions: (i) they are reasonably expected to have net assets of JPY 300 million or more; (ii) they are reasonably expected to have prescribed financial assets for investment of JPY 300 million or more; AND (iii) one-year has passed since they first entered into a financial instruments transaction contract for which they offered to be treated as specified investors or any other contract of a similar type;
    - 3.2.3 Those who meet the following conditions: (a)(i) they are reasonably expected to have net assets of JPY 500 million or more; (ii) they are reasonably expected to have prescribed financial assets for investment of JPY 500 million or more; OR (iii) their previous year's income is reasonably expected to be JPY 100 million or more; AND (b) one year has passed since they first entered into a financial instruments transaction contract for which they offered to be treated as specified investors or any other contract of a similar type;
    - 3.2.4 Those who meet the following conditions: (a) on average they had four or more securities and/or derivative transactions per month in the previous one year; (b)(i) they are reasonably expected to have net assets of JPY 300 million or more; OR (ii) they are reasonably expected to have prescribed financial assets for investment of JPY 300 million or more; AND (c) one year has passed since they first entered into a financial instruments transaction contract for which they

offered to be treated as specified investors or any other contract of a similar type; and

3.2.5 Those who meet the following conditions: (a) they have special prescribed experience or knowledge; (b)(i) they are reasonably expected to have net assets of JPY 100 million or more; (ii) they are reasonably expected to have prescribed financial assets for investment of JPY 100 million or more; OR (iii) their previous year's income is reasonably expected to be JPY 10 million or more; AND (c) one year has passed since they first entered into a financial instruments transaction contract for which they offered to be treated as specified investors or any other contract of a similar type.

- B) "Non-residents of Japan" as defined under the Foreign Exchange and Foreign Trade Act
- C) Issuers of the subject unlisted securities and their related parties:
  - 1 Issuers of the subject unlisted securities;
  - 2 Directors, officers, and employees of the issuers; and Juridical persons or other organizations, a majority of whose voting rights are held directly or indirectly by such directors, officers or employees; and
  - 3 Persons who directly or indirectly hold a majority of voting rights of the issuer.

## 6. Key takeaways

For those who wish to distribute their foreign investment fund products to investors in Japan, it is advisable to consider using a "simplified" Type 1 License. However, if you consider using this license, it is also advisable to bear in mind the following:

- 1 It is still necessary to have a local office and a local representative in Japan.

No matter how much the requirements for a "simplified" Type 1 License are eased, it is still necessary for an applicant for this license to have a local office and a local representative in Japan. If you already have a Japan office which engages in normal Type 1 financial instruments business under the FIEA, you may wish to change the license status of your existing Japan office to a "simplified" Type 1 License. Similarly, if you already have a Japan office which engages in an investment management business under the FIEA, you may wish to add a "simplified" Type 1 License to your existing Japan office's current license status. On the other hand, if you do not have a local office in Japan, you will need to establish it from the start to commence a "simplified" Type 1 financial instruments business.

- 2 A "simplified" Type 1 financial instruments business operator may not deal with foreign limited partnership interests.

While a "simplified" Type 1 financial instruments business operator may deal with many types of foreign investment fund products, it may not deal with any foreign collective investment scheme products like foreign limited partnership interests. If you wish to distribute such types of foreign investment fund products in Japan, it is necessary to conduct a different legal and

regulatory analysis. We do not delve into the details of such an analysis in this newsletter.

- 3 It is still necessary to make a notification filing under the Act on Investment Trusts and Investment Corporations.

It should be noted that a "simplified" Type 1 License eases registration and ongoing requirements applicable to a Type 1 financial instruments business operator to some extent; however, it does not exempt any notification filing requirements under the Act on Investment Trusts and Investment Corporations. As a result, it is necessary for the issuer of a foreign investment trust or foreign investment corporation to make a notification filing before a "simplified" Type 1 financial instruments business operator commences the distribution of units or shares of such foreign investment trust or foreign investment corporation in Japan.

- 4 Care should be taken if you target natural person investors.

Natural persons are generally treated as "non-professional investors;" however, as an exception, they may be treated as "professional investors" in very limited cases under the FIEA (see A) 3.2 above). Therefore, in general, it is prudent not to target natural persons as target investors of a "simplified" Type 1 financial instruments business operator. It should be noted that, if you still need to target natural persons as target investors, you need to comply with the rules under the FIEA to treat them as professional investors, which may be burdensome to some extent.

### List of Qualified Institutional Investors

1. Financial instruments business operators (limited to those registered and authorized to engage in a Type 1 financial instruments business and securities-related business (except for a minimal amount business via electronic offerings and a “simplified” Type 1 financial instruments business) or an investment management business)
2. Investment corporations defined in the Act on Investment Trust and Investment Corporations of Japan (Act No. 198 of 1951, as amended; the “AITIC”)
3. Foreign investment corporations defined in the AITIC
4. Banks
5. Insurance companies
6. Foreign insurance companies licensed under the Insurance Business Act of Japan (Act No. 105 of 1995, as amended)
7. Credit unions (*shinkin banks*) and the federation of credit unions (Shinkin Central Bank)
8. Labor banks and the federation of labor banks (Rokinren Bank)
9. The Norinchukin Bank and Shoko Chukin Bank
10. Credit cooperatives registered with the Commissioner of the Financial Services Agency of Japan (the “FSA”) and the federation of credit cooperatives (The Shinkumi Federation Bank)
11. The federations of agricultural cooperatives (*Nogyo Kyodo Kumiai Rengokai*) and the federations of fisheries mutual aid associations (*Kyosai Suisan-gyo Kyodo Kumiai Rengokai*) which are authorized to engage in a business to accept deposits or savings or in a mutual aid enterprise
12. Regional Economy Vitalization Corporation of Japan (“REVIC”) (limited to cases where it engages in certain activities)
13. Business Turnaround Initiative Corporation of Japan for Victims of the Great East Japan Earthquake (*Kabushiki Kaisha Higashi-Nihon Daishinsai Jigyosha Saisei Shien Kiko*) (limited to cases where it engages in certain activities)
14. The Person who manages and administers fiscal loans (i.e., the Minister of Finance of Japan)
15. Government Pension Investment Fund, Japan
16. Japan Bank for International Corporation
17. The Okinawa Development Finance Corporation
18. Development Bank of Japan Inc.

19. Agricultural cooperatives (*Nogyo Kyodo Kumiai*) and the federations of fisheries cooperatives (*Gyogyo Kyodo Kumiai Rengokai*) which are authorized to engage in a business to accept deposits or savings
20. Money market brokers (or call loan dealers)
21. Venture capital companies (as defined in the Regulation for Enforcement of the Banking Act of Japan (Ministry of Finance Order No. 10 of 1982, as amended)) which are capitalized at JPY 500 million or more and registered with the Commissioner of the FSA
22. Investment limited partnerships established under the Limited Partnership Act for Investment of Japan (Act No. 90 of 1998, as amended)
23. Employees' pension funds and corporate pension funds, the net assets of which calculated in accordance with the prescribed formula is JPY 10 billion or more, which are registered with the Commissioner of the FSA
24. Pension Fund Associations
25. Organizations for Promoting Urban Development (*MINTO Kiko*) approved by the Minister of Land, Infrastructure, Transportation and Tourism to engage in the prescribed investment business under the Act on Special Measures for Urban Renaissance of Japan (Act No. 22 of 2002, as amended)
26. Trust companies (other than those which offer administration services only) licensed by the Prime Minister under the Trust Business Act of Japan (Act No. 154 of 2004, as amended; hereinafter the same) and registered with the Commissioner of the FSA
27. Foreign trust companies (other than those which offer administration services only) licensed by the Prime Minister under the Trust Business Act of Japan and registered with the Commissioner of the FSA
28. Any corporation which falls under any of the following categories and is registered with the Commissioner of the FSA:
  - (a) The balance of the securities held by such corporation is JPY 1 billion or more as of the nearest preceding date before registration; or
  - (b) If such corporation is acting as a general partner of a partnership, the balance of the securities held by the partnership is JPY 1 billion or more as of the nearest preceding date before registration, and all partners of the partnership agree to make such a registration.
29. Any special purpose corporation (*tokutei mokuteki kaisha*) incorporated under the Act on Securitization of Assets which falls under any of the following categories and is registered with the Commissioner of the FSA:
  - (a) The assets specified in the asset securitization plan contains securities whose value is JPY 1 billion or more;
  - (b) Such special purpose corporation enters into a trust agreement with a trust company which falls under a QII for the purpose of management and administration of the specified assets (limited to those which are the securities offered by way of private placement for QIIs), and a general meeting of shareholders of such special purpose corporation approves such a registration; or



- (c) Such special purpose corporation delegates its investment management and administration duties with regard to the specified assets (limited to those which are the securities offered by way of private placement for QILs) to a registered investment manager or other prescribed entity and a general meeting of shareholders of such special purpose corporation approves such a registration.
30. Any individual who falls under any of the following categories and is registered with the Commissioner of the FSA:
- (a) The balance of the securities held by such individual is JPY 1 billion or more as of the nearest preceding date before registration and more than one year has passed since he/she opened the securities trading account; or
- (b) If such individual is acting as a general partner of a partnership, the balance of the securities held by the partnership is JPY 1 billion or more as of the nearest date before registration, and all partners of the partnership agree to make such a registration.
31. Any foreign corporation which engages in any of the following businesses in a foreign jurisdiction under the laws of the foreign jurisdiction and whose equity capital is more than the amount designated by the relevant governing item, and is registered with the Commissioner of the FSA:

Type 1 financial instruments business and securities-related business (except for a minimal amount via electronic offerings and a "simplified" Type 1 financial instruments business)	JPY 50 million
Investment management business	JPY 50 million
Banking business	JPY 2 billion
Insurance business	JPY 1 billion
Trustee business (other than administration business)	JPY 100 million

32. Foreign governments, governmental agencies, local municipal entities, central banks and international organizations with which Japan is affiliated and which are registered with the Commissioner of the FSA
33. Foreign employees' pension funds and corporate pension funds which fall under all of the following categories and are registered with the Commissioner of the FSA:
- (a) Such fund is managed primarily for the purpose of administering and paying out retirement pensions, retirement benefits or other similar remunerations in the foreign jurisdiction; and
- (b) The net assets of such fund calculated in accordance with the prescribed formula is JPY 10 billion or more.

- 
- 
- This newsletter is published as a general service to clients and friends and does not constitute legal advice. Should you wish to receive further information or advice, please contact the authors as follows:
  
  - Authors:  
Kunihiko Morishita ([kunihiko.morishita@amt-law.com](mailto:kunihiko.morishita@amt-law.com))  
Akihito Miyake ([akihito.miyake@amt-law.com](mailto:akihito.miyake@amt-law.com))
  
  - If you wish to unsubscribe from future publications, kindly contact us at [General Inquiry](#).
  
  - The back issues of the newsletter are available [here](#).