

Impact of New Regulatory Policy for Thematic and Monthly Distribution Funds in Japan

Abstract

The Japan Financial Services Agency, the country's financial regulatory body, is concerned with business conduct surrounding mutual fund sales in Japan, with particular focus on thematic and monthly distribution funds. These funds typically have high fees but attract many unsophisticated retail investors. In 2015, the agency introduced a new regulatory policy to encourage competition in providing high-quality, customer-oriented financial products and services. Unlike traditional regulation, this policy is based on the comply-or-explain principle, in which compliance is not mandatory. We investigate whether fund distributors have modified their promotion behavior regarding these funds due to this regulation and find limited changes.

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Keywords: Mutual fund in Japan; Thematic fund; Monthly distribution fund; Mutual fund regulation; Comply-or-explain principles