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KNOW BEFORE YOU GO...INVESTING IN JAPAN

By all reports, investment money is flowing into Japan. With the Nikkei up over 30% this year, it appears that Japan is on the other side of its “lost decade”. The Nikkei has not been this high since the 1990’s. So, what’s driving this renewed interest in the 3rd largest economy (based on nominal GDP) in the world?

For starters, Japan is showing signs of a strong economy. While the rest of the world is still ratcheting rates higher, Japan enjoys very low interest rates. Add to that, a weak currency – net short positions on the yen are at their highest level in almost a year as speculators bet that the BoJ will not change their position on keeping the yen soft. It also appears that there is a shift in attitude on how Japanese corporations should be run including demand for diverse boards (Canon) and raises for workers (Uniqlo). And if all that isn’t enough, it doesn’t hurt that the Oracle of Omaha, Warren Buffet has given his stamp of approval.

Now that you’re considering investing in Japanese market, don’t get tripped up by reporting obligations.

Whether you buy directly on the Japanese markets or if you hold ADRs, you will be subject to shareholding disclosures if you acquire more than 5% or more in an issuer. And under FEFTA (Foreign Exchange and Foreign Trade Act) your disclosure obligation can go as low as 1% if that issuer is deemed to be a restricted business. Under FEFTA a foreign investor would need to file prior notification before making the transaction. You can check a list of restricted businesses [here](#).

Naked short selling in Japan is illegal and all covered short positions at .2% or more need to be reported, should that position grow to .5% or more, it will be disclosed to the public by the exchange.

Japan has required forms for reporting your both substantial shareholding and short selling obligations. Substantial shareholding must be reported in Japanese on the required form which makes filing difficult for most investors unless you use local counsel or have an automated shareholding disclosure solution.

Please note, this is just a general overview of some of the shareholding disclosure requirements for Japan, it is not all-inclusive, and it does not get into the intricacies of what instruments should be included when aggregating your positions. That’s why using an automated solution to simplify your entire shareholding disclosure process from monitoring to generating submission-ready disclosures makes so much sense.

Regulatory content used in this publication has been sourced through [Rulefinder](#), a leading source of regulatory intelligence for global shareholding disclosure requirements.

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