



Mr. Teruhisa Kurita
Commissioner
Financial Services Agency

December 9, 2023

Dear Mr. Teruhisa Kurita,

The Index Industry Association (IIA) supports the Nippon Individual Small Account (NISA) system that was launched in 2018 to encourage the younger generation, novice to investing in stocks, to develop supplementary retirement savings. As you know, index funds were deemed appropriate investments to be included for this program by the *Working Group on Investment Trusts for Long-Term, Accumulated, and Diversified Investments*. The indices that underlie the funds included within the scope of NISA are required to be broad-based, covering the entire market and being well-known among market participants. Based on the recommendations of the Working Group, 15 such indices are currently designated.

In 2024, the Tsumitate NISA is scheduled to undergo a major expansion. The annual investment parameters will be tripled and the tax-free investment period will be indefinite. With this expansion, the Tsumitate NISA will no longer be a small account, but virtually a Japanese IRA that will play a central role in building financial assets for retirement. Japan's younger generation will seek to build their retirement assets through Tsumitate NISAs due to the tax-free benefits and compounded equity risk premiums.

The current list of designated indices provides very limited options for these new Tsumitate NISAs. Indices have evolved greatly since 2017, when the initial list was created. Indices can now provide exposure to investment strategies such as smart beta and ESG.

It is expected that many people will complete their lifetime investment in stocks using only the Tsumitate NISA. In terms of national asset building, Japan's younger generation should be able to take advantage of the significant benefits index-based investment opportunities provides investors around the world. This will also help ensure the diversification of Japan's overall exposure to equity assets.

In light of the foregoing information, we hope that you will consider expanding the list of indices designated for the new Tsumitate NISA.

About the IIA

Many of the leading independent index providers in the world are members of the IIA, including Bloomberg Indices, CBOE Global Indices, the Chicago Booth Center for Research in Security Prices (CRSP), China Bond Pricing Co. Ltd., China Securities Index Co. Ltd., FTSE Russell, Hang Seng Indexes, ICE, Morningstar, MSCI Inc., NASDAQ OMX, ParametaSolutions, Shenzhen Securities Information Co. Ltd., S&P Dow Jones Indices LLC, STOXX (Qontigo), and JPX Market Innovation and Research (Tokyo Stock Exchange). IIA members administer over three million indices for their clients, covering a number of different asset classes, including equities, fixed income, and commodities. Part of the IIA's mission is to consider ways to promote best practices for index providers, which makes it a natural supporter of appropriate and proportionate industry standards. Our members are dedicated to promoting transparency, competition, sound operational practices, intellectual property rights, education, and effective index management practices. IIA members are independent index administrators who neither trade the underlying component securities of their indices nor directly create products for investors. Moreover, our members publicly make available methodologies, explain how their indices are created, calculated, or maintained. For more information: <http://www.indexindustry.org/>

Respectively submitted,

Rick Redding, CEO
Index Industry Association