SYMPOSIUM ON BUILDING THE
FINANCIAL SYSTEM OF THE 21ST CENTURY:
AN AGENDA FOR JAPAN AND THE UNITED STATES
HAKONE, JAPAN • OCTOBER 22-24, 2010

FINAL AGENDA

F R I D A Y, OCTOBER 22

6:00-6:30 p.m. **C O C K T A I L R E C E P T I O N** ***Suruga***

6:30-6:40 p.m. **G R E E T I N G S** ***Sagami***

- Yasushi Akashi, Chairman, International House of Japan
- Hal S. Scott, Nomura Professor and Director, Program on International Financial Systems, Harvard Law School

6:40-7:40 p.m. **K E Y N O T E A D D R E S S** ***Sagami***

- Masayuki Oku, President and Chief Executive Officer, Sumitomo Mitsui Banking Corporation (SMBC) and Chairman, Japanese Bankers Association
- Thierry Porté, Operating Partner, J.C. Flowers & Co., LLC

7:45-9:15 p.m. **D I N N E R** ***Musashi***

9:15-11:00 p.m. **A F T E R - D I N N E R C O C K T A I L S** ***Hinoki***

S A T U R D A Y, OCTOBER 23

7:00-8:00 a.m. **B R E A K F A S T B U F F E T** ***Ashinoko***

*Breakfast Meeting of Panelists, Reporters, and Facilitators please report to Le Trianon

8:15-8:25 a.m. **W E L C O M E & O P E N I N G R E M A R K S** ***Sagami***

- Robin Radin, Co-Founder, Harvard Law School Japan-U.S. Symposium

8:25-8:45 a.m. **P A N E L S E S S I O N** ***Sagami***

Topic 1: New Banking Regulations and Their Implications for International Banking

- Shigesuke Kashiwagi, Senior Managing Director, Government Affairs and Risk Advisory Group, Nomura Holdings, Inc.
- Hal S. Scott, Nomura Professor and Director, Program on International Financial Systems, Harvard Law School

8:50-10:15 a.m. SMALL GROUP SESSIONS

Group	Room	Facilitators	Reporter
1	Sagami	Satoru Murase, Akira Ariyoshi	William Grimes
2	Suruga	Don Kanak, Hiroshi Ota	C. Wallace DeWitt
3	Kiri	Joe Schmuckler, Tomoyoshi Uranishi	Dino Kos
4	Azusa	Larry Bates, Hiroyuki Kamano	Arthur Mitchell
5	Otome	Mark Siegel, Akinari Horii	Chris Wells
6	Nagao	Brian Kelly, Tadashi Iwashita	Alicia Ogawa
7	Jukkoku	David Krasnostein, Takayoshi Hatayama	Andy Conrad

10:15-10:25 a.m. REFRESHMENT BREAK ***Outside of Sagami***

10:25-10:45 a.m. PANEL SESSION ***Sagami***

Topic 2: Macro-Prudential Control and a New Regulatory Regime

- Naoki Tabata, Senior Advisor, RHJ International Japan
- Jeffrey Bohn, Chief Executive Officer, Soliton Japan, Inc.

10:50-12:15 p.m. SMALL GROUP SESSIONS

Group	Room	Facilitators	Reporter
1	Sagami	Jay Sapsford, Yasuhiro Harada	Andy Conrad
2	Suruga	Dick McCormack, Shigeki Kimura	Alicia Ogawa
3	Kiri	Catherine Simmons, Naoki Tabata	C. Wallace DeWitt
4	Azusa	Anthony Stevens, Hideaki Fukazawa	William Grimes
5	Otome	Terry Suzuki, Yoshio Okubo	Chris Wells
6	Nagao	Thomas Cargill, Naoko Nakamae	Dino Kos
7	Jukkoku	Paul Speltz, Takashi Oyama	Arthur Mitchell

12:15-1:30 p.m. LUNCHEON KEYNOTE ADDRESS ***Musashi***

- Atsushi Saito, President and Chief Executive Officer, Tokyo Stock Exchange Group, Inc.

1:30-3:00 p.m. PANEL SESSION – PLENARY DISCUSSION ONLY ***Sagami***

Topic 3: Desirable Macro-Economic Policy Mix

- Robert Feldman, Managing Director, Morgan Stanley MUFG Securities Co., Ltd.
- Takatoshi Ito, Professor, Graduate School of Economics, University of Tokyo
- Paul Sheard, Global Chief Economist, Global Head of Economic Research, Nomura Securities International, Inc.
- Tadashi Nakamae, President, Nakamae International Economic Research (NIER)

3:00-6:00 p.m. FREE TIME

*Optional Sake Tasting at 3:30 p.m. in Suruga. Space is limited. Please sign-up at Administration Desk.

3:00-6:00 p.m. REPORTERS MEETING ***Azusa***

6:10-6:45 p.m. COCKTAIL RECEPTION ***Suruga***

6:45-7:45 p.m. KEYNOTE ADDRESS ***Sagami***

- Takehiko Nakao, Director-General, Ministry of Finance, Japan
- Marisa Lago, Assistant Secretary for International Markets and Development, United States Department of the Treasury

7:45-9:15 p.m. **DINNER** ***Musashi***

9:15-11:00 p.m. **AFTER-DINNER COCKTAILS** ***Hinoki***

SUNDAY, OCTOBER 24

***Please check-out of your room before the Sunday sessions. You may store your luggage in the front lobby.**

7:00-8:00 a.m. **BREAKFAST BUFFET** ***Ashinoko***

*Breakfast Meeting of Reporters and Chairs please report to Le Trianon

8:15-9:15 a.m. **PRESENTATION & DISCUSSION** ***Sagami***

Topic 1: New Banking Regulations and Their Implications for International Banking

- Akinari Horii, Special Advisor, The Canon Institute for Global Studies
- Christopher LaFleur, Vice Chairman, JPMorgan Securities Japan Co., Ltd.

9:20-10:20 a.m. **PRESENTATION & DISCUSSION** ***Sagami***

Topic 2: Macro-Prudential Control and a New Regulatory Regime

- Hiroshi Watanabe, President and Chief Executive Officer, Japan Bank for International Cooperation
- Dick McCormack, Executive Vice Chairman, Bank of America Merrill Lynch

10:20-10:30 a.m. **REFRESHMENT BREAK**

10:30-11:30 a.m. **PRESENTATION & DISCUSSION** ***Sagami***

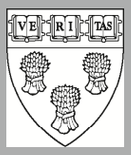
Topic 3: Desirable Macro-Economic Policy Mix

- Akira Ariyoshi, Professor, Asian Public Policy Program, School of International and Public Policy, Hitotsubashi University
- Masaaki Kanno, Managing Director and Chief Economist, JPMorgan Securities Japan Co., Ltd.

11:30-12:45 p.m. **CLOSING LUNCH** ***Musashi, Open Seating***

1:15 p.m. **BUS TO TOKYO AND ODAWARA STATION** ***Front Lobby***

Buses back to the Grand Prince Akasaka in downtown Tokyo (1-2, kioi-cho, chiyoda-ku, Tokyo)
Drive time is approximately 3 hours. We will also have a 1:15 p.m. shuttle bus to Odawara Station.



Harvard Law School

Program on International Financial Systems

Symposium on Building the Financial System of the 21st Century:

An Agenda for Japan and the United States

Hakone, Japan • October 22–24, 2010

Final Report

HARVARD LAW SCHOOL
PROGRAM ON INTERNATIONAL FINANCIAL SYSTEMS

125 Mount Auburn Street
Cambridge, MA 02138

PIFS

tel: 617-495-4715; fax: 617-496-5251
www.law.harvard.edu/programs/pifs

December 2010

Approximately 120 financial industry leaders, government officials, and academics convened in Hakone, Japan October 22-24, 2010 for the 13th Annual Harvard Law School *Japan-U.S. Symposium on Building the Financial System of the 21st Century* to take up key issues relating to capital markets, financial regulation, and international finance, as well as the Japan-U.S. financial and economic relationship.

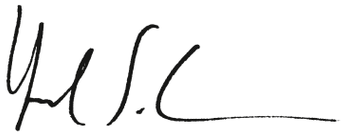
The 2010 Symposium topics were:

- New Banking Regulations and Their Implications for International Banking
- Macroprudential Control and a New Regulatory Regime
- Desirable Macroeconomic Policy Mix

Given the financial crisis and the subsequent policy responses in the U.S., Japan, and around the world, the Symposium produced a valuable dialogue between Japanese, U.S., and international financial and government leaders on these important issues. This report captures the essence of the dialogue held in both small group and plenary sessions, and provides insights into the issues confronting financial industry leaders and policymakers in the years subsequent to the global financial crisis.

For nearly 25 years, the Harvard Law School Program on International Financial Systems has conducted research and produced programming on issues relating to global capital markets. I hope that you find this report to be useful, and please let us know if the Program can be of assistance to you in any way.

Sincerely,



Hal S. Scott
Nomura Professor, Harvard Law School
Director, Program on International Financial Systems, Harvard Law School

HARVARD LAW SCHOOL
PROGRAM ON INTERNATIONAL FINANCIAL SYSTEMS

2010 Symposium on Building the Financial System of the 21st Century: An Agenda for Japan and the United States

WITH SPECIAL THANKS TO OUR SPONSORS

GLOBAL SPONSORS

Goldman Sachs

STATE STREET.

SPONSORS

Aflac

Asian Century Quest

Bank of Tokyo-Mitsubishi UFJ

BAYVIEW ASSET MANAGEMENT

BINGHAM

CERBERUS CERBERUS JAPAN K.K.

Daiwa Capital Markets

Davis Polk

DBJ

Deloitte. トーマツ

ELLIOTT

J.P.Morgan

JSDA Japan Securities Dealers Association

KAMANO SOGO LAW OFFICES

KPMG

Linklaters

Mitsubishi Corporation

MIZUHO

MLC

MONEX GROUP Monex Group, Inc.

MorganStanley MUFG

NAGASHIMA OHNO & TSUNEMATSU 長島・大野・常松 法律事務所

CORDIAL Nikko Cordial Securities Inc.

NOMURA

The Norinchukin Bank

OLIVER WYMAN

Promontory Financial Group

西川シドリーオースティン 法律事務所・外国法共同事業 SIDLEY AUSTIN NISHIKAWA FOREIGN LAW JOINT ENTERPRISE

SMBC SUMITOMO MITSUI BANKING CORPORATION

Sumitomo Trust & Banking Co., Ltd.

TOKYO STOCK EXCHANGE GROUP

UNISON UNISON CAPITAL

Harvard Law School

Program on International Financial Systems

Founded in 1986, the Harvard Law School Program on International Financial Systems (PIFS) fosters the exchange of ideas on capital markets, financial regulation, and international financial systems through its acclaimed portfolio of Symposia on Building the Financial System of the 21st Century. PIFS also conducts research and organizes special events on these topics.

Each year, PIFS bilateral Symposia bring together senior financial leaders, high-ranking government officials, and distinguished academics from the United States and their counterparts from China, Europe, Japan, and Latin America for intensive dialogue on issues affecting international capital markets.

Off-the-record and closed to the media, the invitation-only PIFS Symposia convene leading market practitioners at off-site retreat venues. The Symposia model features candid, intimate exchanges between global counterparts within small-group discussions. Keynote addresses and panel sessions serve to initiate and enhance the interactive, small-group dialogue, which is conducted under Chatham House Rules in order to foster an open exchange of ideas. These discussions are synthesized and presented on the final day of the Symposium in a plenary session, and then summarized and published in the following Symposium Final Report.

Program on International Financial Systems
Hal S. Scott, Director
125 Mt. Auburn Street
Cambridge, MA 02138 USA
www.law.harvard.edu/programs/pifs

For more information, please contact:
Dan McCardell, Deputy Director
617-495-4715
dmccardell@law.harvard.edu

Contents

2010 Symposium on Building the Financial System of the 21st Century: An Agenda for Japan and the United States

Symposium Final Report 1

Appendix

Symposium Participants 20

Symposium Agenda 26

Sponsor Profiles 28

To access the Symposium final plenary presentation, panelist presentations, and participant concept papers, please visit:

www.law.harvard.edu/programs/about/pifs/symposia/japan/index.html.

Symposium Final Report

The thirteenth annual Japan-U.S. Symposium was held in Hakone, Japan, October 22-24, 2010. Sessions discussed new banking regulations and their implications for international banking, macroprudential regulation under new regulatory regimes, and desirable macroeconomic policy mixes for Japan and the United States. While welcoming some aspects of the new financial regime, participants expressed concern that governments might be putting too much faith in the ability of financial and macroprudential regulation to prevent or reduce the systemic impact of bubbles. There was also concern expressed about the direction of Japanese and U.S. monetary and fiscal policies and the limits of the ability of macroeconomic policies to rekindle stable growth in the two economies.

Session 1

New Banking Regulations and Their Implications for International Banking

The first session addressed the impact of new banking regulations, particularly the Dodd-Frank Act and Basel III. While recognizing that significant uncertainty remained concerning the final form of regulatory and other efforts, participants debated whether the new regulations were appropriate, whether they would fulfill their intended purposes, and what their unintended consequences might be.

PRINCIPLES

Participants identified a number of principles to which they felt that financial regulation should adhere. They also discussed political dimensions such as policymaking in times of crisis and issues of credibility.

Many participants felt that the sequencing and political aspects of financial re-regulation were as important as specific elements. In particular, they argued that one lesson of Japan's long financial crisis was that governments must move quickly, forcefully, and comprehensively rather than incrementally or in piecemeal fashion. One rationale for the need for comprehensive policy was functional—i.e., that doing one piece at a time would distort incentives and potentially lead to new problems. Looking to Japan's example, they argued that banks' solvency and non-performing loan (NPL) problems were solved only when all the regulatory and supervisory pieces were put in place in the Takenaka Plan, after years of partial fixes.

Participants also put forward political and psychological rationales. With respect to market psychology, a number of participants argued that large-scale financial regulatory reform could only succeed in attaining its goals if it had market credibility—not only with regard to content, but in terms of a government's ability to convince market actors that the reforms would be effectively implemented. They felt that if market actors doubted the resolve of regulators, they would either not change their behavior or would concentrate on changing the parameters of the regulation. Politically, a sequential (rather than comprehensive) approach to reforms was seen as problematic as well, as the appetite for major reforms might decline after only the first or second rounds. Thus, financial crises were seen to call for quick and decisive action. Perhaps paradoxically, however, most participants also expressed concerns about crisis-driven policymaking. The timing and emotions of crises were seen to reduce the ability of policymakers and politicians to introduce appropriate reforms.

As for the policies themselves, there was general agreement on the key elements of crisis management and resolution, including clear accounting for NPLs and asset-backed securities, NPL disposal mechanisms, recapitalizations and nationalizations of banks, and industrial restructuring mechanisms. Most participants also appeared to agree that a key issue was to

ensure proper incentives throughout the system, and that a system in which private-sector individuals and financial institutions accrued all the gains while being backstopped by public money would be both prone to crises and politically unsustainable. There was less clarity regarding specifics, however. For example, some participants questioned whether regulation of compensation packages (including the possibility of mandating clawbacks) would reduce excessive risk-taking by market actors. Similar questions were raised regarding hold-backs in securitization deals, which would be meant to ensure that lenders and securitizers had "skin in the game."

Finally, several participants expressed concern that political discourse in major countries was predicated on the idea that governments should never again be in the position of carrying out bail-outs of major financial institutions or creditors. They felt that this was an unreasonable position and argued that policy should not be made based on the pretense that governments would not step in to stop a spiraling liquidity crisis. Instead, they said that governments should make plans and provisions to ensure that future bail-outs would be better designed so as to reduce costs for taxpayers and contagion for other financial institutions. Improving and clarifying measures for managing take-overs and resolutions of troubled financial institutions was seen as an important element of such planning. It was also noted that the Japanese experience had shown the importance of attaching strict conditions to recapitalizations and bail-outs in order to prevent moral hazard.

INTERNATIONAL DIMENSIONS

The issue of international coordination was discussed at length in Session 1. Participants recognized that ensuring stability in a globalized financial system would require considerable coordination to prevent regulatory arbitrage and to deal effectively with cross-border transactions, regulation of transnational financial institutions, and resolution of failed transnational financial institutions. Beyond this basic level of agreement, however, opinions diverged on a number of issues.

Cross-Border Issues

Participants agreed that some level of international cooperation was essential to addressing the regulatory issues raised by financial institutions whose operations and transactions crossed jurisdictions. A matter of particular concern was how to handle resolutions of failed transnational financial institutions. Many invoked the example of Lehman Brothers in arguing that cross-border resolutions posed a great challenge to regulatory authorities. While noting that progress had been made in terms of establishing colleges of regulators and calling for transnational financial conglomerates to establish living wills, many participants were skeptical that the problem could be resolved through such measures.

Another question raised was how regulators would interpret their jurisdiction in enforcing capital and liquidity standards. Some provisions of the Dodd-Frank Act raised concerns for participants in this respect. In principle, subsidiaries would be subject to host country regulation, but some participants expressed concern that the U.S. would seek to enforce its own standards globally—not only on U.S.-based financial institutions, but perhaps also on globally consolidated banks (including Japanese ones) with U.S. subsidiaries. While in principle this would not be a problem if standards were truly universal, participants noted that in fact national interpretations and enforcement differed, and greater divergence in the future could not be ruled out.

Standard-Setting

While harmonization was seen as an attractive concept, there was a variety of views on the appropriate extent of harmonization. The question was raised on how globally-agreed standards should be actually applied in different economic and legal contexts. For example, it was pointed out that credit availability in bank-based financial systems would likely be more negatively affected by strict capital-adequacy requirements than in more capital markets-based systems, with adverse effects on those economies. Also, some participants argued that it would not be appropriate to apply the same capital standards to Japanese banks as to their U.S. counterparts, insofar as

Japanese banks had less common equity and were not as leveraged as U.S. banks. (In principle, the risk-based standards will take account of such differences, but these participants were concerned that the principles would differ from actual implementation.) Similarly, some participants questioned whether it made sense to apply universal capital and leverage standards to emerging market banks, many of whose business models were much simpler than those of banks based in more sophisticated financial markets.

For some, this raised the question of whether it was even appropriate to have a single standard, since the implications would vary so much from place to place and among financial institutions. This made other participants nervous. They argued that if national governments had broad leeway to develop their own standards, the resulting diversity would inevitably lead to regulatory arbitrage and possibly new crises. Instead, they felt that the globally interdependent nature of financial systems and financial institutions required that national discretion should be kept to the level of interpretation of global standards. This appeared to be the position of most participants.

The perceived need for global standards led to discussion among participants about who should establish standards and how. There was a general sense among many participants that the established system dominated by the interests of leading financial centers in the U.S., UK, Japan, and continental Europe might no longer be valid, for two reasons. Politically, some pointed to changing notions of international legitimacy. Many participants also noted the practical issue that emerging markets and emerging market financial institutions had become increasingly important in the global system. Particular attention was paid to China, but other emerging market players were also mentioned.

Participants saw the most systemically important emerging markets in this regard to be among the members of the G20, suggesting to some that the G20 process would be the best locus of standard-setting. But many participants voiced concern that the G20 process was unwieldy, and thus that relying on it would sacrifice effectiveness for representation. They argued that a subgroup of G20 governments would need to act as a core group for effective cooperation; while there was no clear consensus on which countries should be part of such a core group, most discussion of the idea appeared to include at least the U.S., Japan, UK, key European markets, the EU itself, and China. Not surprisingly, the idea of standard-setting by such a core group was contested by other participants on the basis of its lack of representation. Indeed, some participants argued that the G20 process should be augmented by regional processes that would provide representation within the G20 discussions of the views of non-member emerging economies.

Role of China

Unlike in previous international regulatory efforts, participants saw China as looming large in the current debate. With the growth of Chinese financial markets and financial institutions, participants felt that it would inevitably have to play a major role in shaping global rules. That said, there was considerable confusion on what sort of a role China would or should play.

A basic issue had to do with China's status as an emerging market. While recognizing the impact that Chinese financial markets and financial institutions would increasingly have going forward, participants also noted the very different financial landscape there. The domestic markets were seen to remain highly regulated and dominated by state-owned financial institutions. Meanwhile, participants noted that internationally-active financial institutions were limited to a small number of large, state-owned banks plus the Chinese government itself in the form of its sovereign wealth fund and its management of foreign exchange reserves. And even to the extent that Chinese state-owned banks were developing an international presence, it was seen to be primarily to service the needs of Chinese firms' international activities (especially those of state-owned enterprises).

Under these circumstances, some participants wondered if global capital adequacy and liquidity standards such as those contemplated under Basel III were even relevant for China. Some participants argued that the government would undoubtedly bail out any major bank that ran into serious trouble; if

that were the case, they asked, why should Chinese banks be subject to rules meant to prevent international transmission of bank failures? Was it only to ensure that Chinese banks would face the same costs and restrictions as foreign competitors?

There was also some discussion of how Chinese financial institutions would react to the imposition of strict international standards. Some participants suggested that they might be likely to expand into emerging markets where regulation was less effective, giving them an unfair advantage in expanding into those markets relative to more heavily regulated developed country banks. Others discounted such concerns, noting that Chinese financial institutions and regulators had shown themselves to be quite prudent and had grown increasingly sophisticated in their activities. A different concern about Chinese banks' overseas expansion that was raised was what would happen as they increased their presence in the U.S., EU, and Japan. A number of participants predicted a political backlash, with concerns arising based on the different ownership structures and home regulatory environments. Other participants disagreed, arguing that Chinese banks had already begun to establish themselves in these markets, with no significant political backlash or barriers, and that moreover they had been responsible corporate citizens.

CAPITAL AND LIQUIDITY STANDARDS

Turning to the substance of the major reforms in progress, participants spent considerable time discussing new capital and liquidity standards under discussion in Basel III. The new standards were seen as a centerpiece of efforts to reduce the likelihood of future major banking crises.

While participants recognized that the purpose of capital and liquidity was to ensure solvency rather than to make banks more profitable, there were concerns raised that the new standards—particularly the capital standards—would in fact harm bank profitability. Many participants seemed to agree that the strict capital standards under consideration in the Basel III process would necessarily lower banks' return on equity. While some participants suggested that there might be benefits to shifting banking to a "utility model," others were more skeptical, instead raising concerns that high capital standards would create incentives for more risky behavior. Some also feared that more governments would emulate Switzerland and mandate even higher capital requirements (as in the "Swiss finish").

Some participants raised additional questions and concerns about capital standards, in particular the question of whether Basel III would actually contribute to preventing crises. An issue that troubled some participants was the lack of clear empirical backing for the standards—as one put it, "there is no right number and we don't know what it is." These participants also noted that there remained no clear consensus on how capital should be risk-weighted, nor any set of clear standards for banks to use to determine risk. They worried about what they saw as the arbitrary nature of the proposed capital standards.

Another set of questions arose with respect to two of the more innovative aspects of Basel III: contingent capital (CoCos) and countercyclical capital buffer. A number of participants were concerned about the likelihood that systemically important financial institutions (SIFIs) would be required to issue contingent capital as a means of reducing the likelihood of funding crises. They pointed out that there was no existing market for CoCos, and that such securities might be unattractive to potential investors such as insurance companies, leading to excessively high costs. Other participants were less concerned, pointing out that markets had developed rapidly for all sorts of new financial products in previous years.

The issue of procyclicality in bank lending was seen as an important problem for financial markets and economies, and some participants welcomed the requirement of countercyclical capital buffers. Others were skeptical of the proposal, however, on two counts. One was that it would effectively boost capital requirements even higher than the Basel III already-high baseline. Others questioned how regulators would determine the proper level of countercyclical capital buffer at any given point in time.

Finally, some participants questioned whether an increase in capital adequacy was even relevant to bank solvency in a crisis. Several pointed out that some of the financial institutions that had failed during the crisis appeared to have had sufficient capital to cover their losses, and that in any event they had capital ratios equivalent to financial institutions that had survived. These participants argued that liquidity was far more important in a crisis than capital. Moreover, they saw liquidity constraints as *creating* capital inadequacy—demands from creditors for repayment of obligations had forced a number of financial institutions to try to sell assets, but the efforts to sell illiquid distressed assets had in turn put more pressure on their capital bases and also created incentives for creditors to demand repayment more quickly. Thus, some of these participants argued that enhanced liquidity standards should be prioritized. Others made the case that central banks, in their role as lenders of last resort, should step in to backstop liquidity for fundamentally solvent banks, and expressed regret that such operations were likely to become more difficult to carry out.

Some participants worried about the special problems of liquidity requirements in emerging markets. They noted that foreign exchange volatility might adversely affect financial institutions' access to reserve currency liquidity in those countries. Ironically, some felt that capital controls—which are meant to reduce currency volatility—would actually compound that problem.

DODD-FRANK: THE GOOD, THE BAD, AND THE UNKNOWN

Much of the concrete discussion in Session 1 focused on the Dodd-Frank Act, which, unlike Basel III, had already become law. Participants saw Dodd-Frank as going far beyond the issues on which Basel III was focusing, effectively touching on nearly every aspect of regulation of U.S. financial institutions. While extensive fact-finding and rule-making remained to be done, participants had much to debate in the new law.

Positive Developments

Many participants expressed deep concern about one or more aspects of Dodd-Frank, but there were also a number of positive appraisals of some aspects. One example was the creation of a legal resolution mechanism for systemically important financial conglomerates. Although Dodd-Frank on its own could not address the cross-border resolution issue, participants agreed that the new domestic resolution mechanism filled a serious gap in regulators' ability to manage a domestic solvency crisis for a complex financial institution. Some noted that the AIG and Lehman episodes might have worked out very differently if federal authorities had had such authority at the time.

Participants were also generally positive about Dodd-Frank's effect in reducing the role of credit rating agencies. Many saw credit ratings as having played a key role in the crisis, due to excessive reliance on quantitative models, perverse incentives in the assigning of ratings, and herd behavior triggered by the "hardwiring" of credit rating agencies assessments into financial institutions' investment decisions through Basel II and other laws and standards. However, there were some concerns raised about whether Dodd-Frank rules with regard to ratings might contradict Basel standards.

A third area in which Dodd-Frank received high marks was the requirement of shifting most OTC derivatives trading to clearinghouses as a means of reducing counterparty risk. That said, some participants cautioned that clearinghouses themselves would need to be closely monitored in order to prevent them from concentrating risk in an institution that would clearly be too big to fail.

Criticisms

Participants also criticized Dodd-Frank for a number of perceived failings. One criticism was that the legislation had not addressed the fragmented nature of U.S. financial regulation and supervision. Despite some minor movements toward consolidation and reassignment of certain tasks, some argued that Dodd-Frank had actually *increased* the complexity of the regulatory structure (for example, through

the creation of the Financial Stability Oversight Council and the new Bureau of Consumer Financial Protection). They felt that the continuing fragmentation increased the likelihood of regulatory gaps, miscommunication, and poor coordination. Others were a bit more sanguine, arguing, for example, that important supervisory functions had been transferred away from the SEC to the Fed, which they felt had more expertise and motivation to supervise financial institutions.

Another topic of concern was the adoption of the "Volcker Rule." A number of participants criticized the rule as being unnecessary and ambiguous. While they acknowledged that the actual impact of the rule would not be fully known until rule-making had concluded and implementation had begun, they felt that the Volcker Rule would weaken a number of financial conglomerates and reduce their competitiveness relative to universal banks based in other countries. Other participants offered different opinions. Some agreed with the intent of the Volcker Rule, arguing that financial institutions had indeed taken on too much risk in their non-banking businesses before the crisis. Others were sympathetic with the critique, but argued that it was likely that the rules would be implemented and enforced in a way that would not be unduly restrictive.

Another critique of Dodd-Frank was that it would weaken the U.S. as a global financial market center. While initial fears that the Volcker Rule would apply to Japanese and other foreign banks operating in the U.S. turned out to be unfounded, a number of participants argued that it would increase the costs and difficulties of doing business in the U.S. Others suggested that the impact on the U.S. status as a financial market center would not be nearly as bad, on the basis that other jurisdictions were also increasing regulatory burden. This was seen to be particularly true of the UK, which had previously been seen as the main global competitor to the U.S.

Many participants made the point that, despite the passage of the Dodd-Frank law and the preliminary agreement on Basel III, much of the new regulatory terrain remained unknown. First and foremost, the sheer scale of rule-making and precedent-setting still to be done was seen as creating enormous uncertainty for financial institutions. Even leaving aside the specific concerns (e.g., on what criteria would SIFIs be designated, how would FSOC determine the timing of debt conversions, how would the new consumer protection bureau function, would FSOC paralyze the Fed's ability to implement monetary policy and act as lender of last resort, not to mention the "unknown unknowns" that seemed likely to arise), many participants predicted that financial institutions would simply postpone major decisions regarding business plans, investment, and new lending.

Finally, a number of participants noted that the politics of regulatory and supervisory reforms was driven by a deep (and, some felt, justified) popular anger toward the financial institutions and rules that had created the global financial crisis. They stressed that policy solutions would have to deal not only with the technical aspects of regulation, but would also need to appear fair to the American people. Among the points made by these participants was that the financial industry should play a constructive role in shaping regulations rather than simply resisting changes. And at least one participant argued that in order to be both politically and economically viable, one of the goals of policymakers and the financial industry should be to wind down the "real estate-financial complex."

UNINTENDED CONSEQUENCES

Given the comprehensiveness and magnitude of the new regulations and standards, participants worried about the possibility of unintended consequences. A major concern was that the new requirements would create significant new economic costs. Looking at the increased capital requirements, expanded regulatory burden, and the sheer uncertainty attached not only to the effects of regulation but even to the specifics of the regulation itself, a number of participants predicted a regulatory recession. Increased capital requirements, for example, would require banks either to raise a great deal of new capital or to reduce lending; given the softness of global equity markets, many participants predicted declines in lending, which would have negative effects on the overall economy. Moreover, if bank ROEs were

to decline as many expected, there could be even less market appetite for bank equity (let alone CoCos). There were also predictions of higher fees, as banks sought to make up for lower lending volume and higher administrative costs.

A number of participants also expressed concern that burdensome new regulations might not even reduce excessive risk-taking by financial institutions, which was one of the key problems that they were supposed to solve. Some argued that higher capital requirements would lead banks to increase risk in order to compensate for lower ROEs. Alternatively, money and human capital might shift to less regulated sectors, which might only have the effect of displacing and hiding systemic risks rather than reducing them. (On the other hand, some participants suggested that shifting toward the shadow banking system might be a good thing, since market discipline would prevail there. They noted that the unregulated sectors had not been the major players in the global financial crisis.)

There were also some concerns that the Basel III standards might lead to a race to the top to try to meet the standards as soon as possible. Participants noted that several major international financial institutions had announced their intention to reach the new capital adequacy standards well before the target date of 2019. While this might be a good business move for those financial institutions, the possibility was raised that it would create pressures on other financial institutions to hit the standards early so as not to look weaker than rivals. This could accelerate the lending declines that many were predicting. Some participants expressed concern that the effect may cascade through the entire system and into emerging markets as well.

LOOKING TO THE PAST AND FUTURE

In seeking to evaluate Basel III and Dodd-Frank, participants asked themselves two questions: Would Basel III and Dodd-Frank have prevented the crisis? And, will Basel III and Dodd-Frank prevent the next crisis? Most participants appeared not to feel confident in answering "yes" to either.

Looking back to the origins and evolution of the global financial crisis, a number of participants reflected that the existing rules (Basel II as well as domestic regulations in the U.S. and elsewhere) may well have been sufficient to prevent the crisis, if only regulators had acted based on those rules. FDICIA gave U.S. regulators significant authority to intervene in bank activities, and the SEC could have been much more vigilant in its supervision of investment banks. Japanese regulators apparently did better using powers, such as including prompt corrective action, but the same could not be said of regulators and supervisors in the UK and continental Europe. Thus, for a number of participants, the real question was why regulators did not act based on existing rules. (Or as some put it, maybe the regulators were the problem.) For most, the answer was the political and technical difficulty of intervening in the midst of a boom and restricting the activities of sophisticated, apparently healthy financial institutions. There appeared to be no guarantees that the new regulatory regime had addressed the problem of lack of political will.

Looking to the future, there appeared to be considerable skepticism that Basel III and Dodd-Frank would prevent crises from occurring (although there did appear to be some optimism that the new resolution mechanisms for complex financial institutions could contribute to better management of a crisis and, along with greater use of clearinghouses to reduce counterparty risk, could stem contagion risks). They also raised specific concerns, including the persistence of regulatory fragmentation, the still-unresolved issue of "too big to fail," and the possibility that Dodd-Frank would weaken the Fed's ability to act as lender of last resort (see below).

At a fundamental level, many participants felt that bubbles, and therefore crises, would remain an unavoidable feature of financial markets. Thus, some participants summed up the debate with a question: Is regulation a substitute for risk management? They feared that the determination of policymakers and politicians never to have another bail-out was leading them to over-regulate, even without clear proof that the effort would eliminate the risk of financial institution failure. Overall, participants seemed concerned at the possibility that Basel III and Dodd-Frank would define the new global financial architecture of the 21st century.

Session 2

Macroprudential Control and a New Regulatory Regime

Session 2 considered the question of how authorities should manage systemic risk in banking and finance. The new focus on macroprudential regulation, as exemplified by several provisions of the Dodd-Frank Act as well as discussions in the G20 and elsewhere, was seen to be a major change in the role of regulators. Participants' views of both the concept and the likely effects were mixed; while some saw it as a sensible and essential extension of existing principles, not to mention an important recognition that the financial system should support the economy rather than be a source of instability for other sectors, others worried about the possibility of negative effects on financial innovation and central bank independence.

WHAT IS MACROPRUDENTIAL REGULATION?

Although participants generally agreed that the idea of macroprudential regulation was an attractive one, there was considerable confusion about what it would—and should—mean in practice. There was also some uncertainty on how even to define the financial "system" in which systemic risk should be monitored and managed.

Participants agreed that at the least, macroprudential regulation should try to reduce opportunities for contagion and correlation risk in the financial system. The financial "system," they agreed, was not just the sum of all banks or regulated financial institutions, which was essentially how traditional approaches to prudential regulation operated—in other words, on the assumption that the solvency of each individual financial institution ("unit-level risk") added up to a stable system. Rather, macroprudential regulation would need to focus on the problems created by the interconnectedness of financial institutions, which many participants saw as one place where the regulatory system had failed in the global financial crisis. While traditional prudential regulation was seen as one component of addressing systemic risks, many participants also argued for the need to monitor leverage in the system and capital market operations, including issues related to clearing and counterparty risk. Most participants emphasized that, when talking about the financial system, it was essential to include hedge funds and other components of the shadow banking system as well as more regulated financial institutions such as banks and insurance companies; others, however, felt that this was both unrealistic and unnecessary, since hedge fund activity had not actually triggered the crisis or transmitted it across borders.

Going beyond the financial system, some participants argued for a broader view focusing on the

identification and prevention of bubbles. They argued that financial instability and crises stemmed from fundamental factors such as excessive liquidity and international payments imbalances. Thus, they called for macroeconomic policy responses as well as regulatory ones. Others questioned whether bubbles were in fact primarily monetary phenomena. If not, then efforts to introduce macroprudential regulation would run the risk of distorting monetary policy—and thus activity throughout the economy—without the benefit of actually addressing the root causes of the problem. An alternative conception was that bubbles and crises were primarily tied to misaligned incentives and failures of supervision.

Some participants were skeptical that the concept of an asset price bubble was even a particularly useful one in a world in which prices reflect supply and demand. They expressed concern that commentators were identifying "bubbles" in everything from commodities to government debt, when regulators and major financial institutions had missed the problems in the U.S. housing markets. These participants tended to support the narrower view of the role of macroprudential regulation focused on financial institutions and interactions.

Based on these differing conceptions of what macroprudential regulation should do, as well as differing opinions on what it could do, participants' vision of what macroprudential regulation could achieve also varied considerably. While some argued in favor of stopping bubbles at their source or limiting volatility through monetary policy, administrative guidance, restrictions on pay packages, or encouragement of better internal risk modeling, others called for more limited goals such as designing and putting in place effective circuit breakers for instances when markets freeze up or for situations like the May 2010 "flash crash."

WHO REGULATES?

Participants noted that countries had assigned authority for macroprudential regulation to a variety of institutions or groups of regulators, with varying capabilities and responsibilities. For example, the Japanese Financial System Management Council, headed by the prime minister and including representatives of the FSA and BOJ, was constituted as an *ad hoc* group to be mobilized as needed and had been given the ability to require capital injections and to mobilize public funds for capital injections, loans, or acquisition of shares of financial institutions. The U.S. Financial Stability Oversight Council, an interagency council mandated by Dodd-Frank, would be an ongoing monitor of systemic risk that would designate SIFIs and, along with the Fed, monitor them on an ongoing basis. Finally, the European Systemic Risk Board, chaired by the ECB president, would focus its attention on systemic threats from macroeconomic issues, but would also have sweeping power to give orders to individual EU countries' financial supervisory authorities and to ban financial products. Unlike the more streamlined U.S. and Japanese councils, the European version was designed to be large and comprehensive in its representation of national central banks and regulators.

Many participants expressed skepticism about the ability of such councils to effectively manage systemic risk, arguing that they would be unwieldy in practice. This was seen as especially true of the U.S. and European councils, which participants saw as particularly hampered by fragmentation (by country in the case of Europe and as a consequence of both functionalism and federalism in the U.S.). Many of these critics instead identified central banks as the institutions that should be in charge of macroprudential regulation. They argued that the existing missions of central banks (price stability and financial stability) gave them ample justification to act to prevent bubbles and excessive risk-taking in the financial system. Some also felt that central banks tended both to take the broadest view and to be the most sophisticated official actors in financial markets, and were therefore more likely to do an effective job of macroprudential regulation than other supervisory authorities.

Should Central Banks Try to Identify Bubbles?

There was considerable debate over whether central banks could or should be given the primary responsibility for macroprudential regulation. Discussion centered on three related questions: did central banks

have the ability to identify systemic risks, did they have the tools to address those risks, and did they have the political will to actually implement the policies that would be necessary to head off systemic risks and bubbles?

As in previous Symposia, there was disagreement about the ability of central banks or others to identify bubbles. While many participants felt comfortable identifying specific bubbles in retrospect, they acknowledged that it was difficult to come up with general principles beyond crude metrics such as leverage-to-GDP ratios. Some felt that if bubbles could not consistently be identified and dealt with, it would be more practical to prepare for cleaning up the aftermath of a crash than to try to prevent bubbles.

Others argued, in contrast, that even if it were impossible to identify whether a specific set of asset price hikes were sustainable or not, the kinds of bubbles that had affected the U.S. housing market in the 2000s (or the Japanese real estate and stock markets in the 1980s) were so large and pervasive that identifying major bubbles did not require subtle distinctions. Some participants were skeptical of whether the concept of a bubble was even a useful one; rather, they felt that because asset prices rise and fall constantly, there could be no meaningful equilibrium price. Financial institutions and investors should thus be responsible for calculating and managing their own risk.

While acknowledging the difficulty of judging sustainability of asset prices, many participants felt that it was inappropriate for central banks to say that they deal only with prices on goods and services, while ignoring massive shifts in asset prices. As one put it, "the Greenspan doctrine [of self-regulating markets] is dead." A number of participants therefore called for a return to central bank discretion, after two decades in which academics and many policymakers had increasingly called for curtailing discretion in favor of clear rules such as inflation targeting. These participants instead emphasized the importance of careful analysis and quality leadership.

Other participants disagreed, arguing that strong leaders in the Fed and BOJ had in fact made bad policy choices, exacerbating bubbles followed by deflation—in other words, they felt that discretion could create more harm than rules. Rather than trusting monetary policy to either politics or unaccountable central bankers, they argued that clear and transparent rules remained the best approach. An alternative criticism of leaving such decisions to central bankers was that central banks tend to confuse status quo with stability, and thus that they would be inherently limited in their ability to perceive bubbles.

Dealing with Bubbles

Participants grappled with the question of how central banks should deal with bubbles or a build-up of systemic risk, given that the capabilities of major central banks (including BOJ, Fed, and ECB) were seen to be mostly confined to monetary policy responses. Some participants felt that bubbles were indeed an appropriate target for monetary policy. Although they agreed that a variety of factors such as distorted incentives contributed to the formation of bubbles, they felt that in the end it was excessively easy money that fueled unsustainable asset price inflation. Thus, they called for monetary tightening to prevent large-scale bubbles from getting even larger. This prescription raised questions about implementation, however. One criticism was that central banks would be unlikely to be willing to accept the political consequences of "removing the punch bowl" while the party was still on. Several observed that it would be impossible to prove to disgruntled publics that monetary tightening had averted a bubble, and that central banks would thus be less likely to act on their own recognition that a bubble was in existence. On the other hand, if that kind of power were to be delegated to central banks, others saw it as possible that they would tend to overreact, as some felt that the BOJ had. A different concern was that, if central banks were put in charge of macroprudential regulation, there might well be instances in which the requirements of monetary and prudential policy conflicted—for example, if a bubble appeared to call for monetary tightening, but that tightening might significantly harm the assets or capital base of a financial institution.

A number of participants were skeptical that monetary tightening was the correct response to bubbles,

arguing that such a policy would have negative effects on the economy well beyond the bubble itself. They felt that more targeted policies such as changing reserve or margin requirements would be more appropriate in balancing the needs of the economy as a whole against the dangers of excessive risk in the financial system. While acknowledging the political difficulty of coordinating across multiple regulators, they felt that a coordinated approach was essential. In this regard, some participants argued that the Japanese FSA may have successfully prevented a large expansion of systemic risk in 2005-2006, when inspectors were critical of regional banks' plans to expand purchases of U.S. mortgage-backed securities. This example again raised questions of regulatory discretion, with some participants concerned that regulators would not have a sufficiently sophisticated understanding of the business models and risk management of the financial institutions they were regulating. Another concern raised was how financial stability councils would work in practice, given the reality of independent agencies as in the U.S.

In terms of the prudential aspects of macroprudential regulation, it was generally agreed that bank stress testing would be an essential part of any comprehensive regime. But this raised the question of how to make stress tests uniform, effective, and credible. Some participants strongly criticized the European stress tests as having been created in order to ensure that banks would look sufficiently stable that national banking supervisors would not have to commit public funds to them. They worried that political exigencies would overwhelm the intention to gauge risks of individual financial institutions and of the financial system as a whole. Issues of accounting standards were also raised.

EFFECTS ON CENTRAL BANK INDEPENDENCE

A concern of many participants was that the global financial crisis might be leading to threats to central bank independence in the developed economies. This was seen to be due in part to the extraordinary measures taken by central banks to address the problems created in the crisis, and in part to new rules stemming from the emerging emphasis on macroprudential regulation.

One major concern was that, in the face of the global crisis, central banks had been called upon to do too much, as fiscal authorities and regulators were unable to respond effectively. Broadly speaking, participants feared that the expanded reach of central banks into the economy beyond their core competences would leave them exposed to political pressures that would affect their ability to carry out monetary policy in an independent manner.

A number of participants argued that one aspect of this overstretch was that central banks had in practice been forced to take on fiscal roles in the developed countries. In this story, the failure of governments to properly manage fiscal policy in the years before the crisis left them with limited room for stimulus when the crisis hit. This led to an overreliance on monetary policy, including quantitative easing measures, to try to address recessions and financial instability. Moreover, given the already overstretched finances of governments such as the U.S., both intentional fiscal stimulus and efforts to recapitalize financial institutions or to support borrowers would require central banks to directly fund expansionary fiscal policy through massive purchases of government bonds. This monetization of fiscal deficits that these participants expected to result would inevitably mean that fiscal decisions were driving monetary policy, and thus reducing central bank independence. This effect was also perceived in Japan and even in the eurozone, where the ECB was supposed to be completely untouched by fiscal concerns.

Perhaps an even more disconcerting effect for many participants was what they saw as the increased difficulty of exit from expansionary monetary policies. A number of them characterized quantitative easing as a kind of addictive drug: with governments increasingly dependent on central banks for funding, the pressure on central banks not to withdraw that funding in the name of monetary policy could be overwhelming. And as one participant asked rhetorically, would the Fed really be willing to reduce its position in mortgage-backed securities in an election year? (A similar point was made about the ECB

withdrawing support from governments that could not obtain market funding.)

Another perceived threat to central bank independence was statutory constraints related to the establishment of systemic risk councils. Much of this discussion focused on the U.S., although concerns were more general. For example, it was noted that under Dodd-Frank if the FSOC determined there was a bubble, it could force action on the part of the various institutions involved in macroprudential regulation. In principle, this could mean that the Fed could be forced to modify monetary policy in order to mitigate a bubble by the Treasury secretary and other regulators on the council. Another aspect of the new legislation was that responsibility for consumer protection had in practice been removed from the Fed but was still funded by the Fed (through the establishment of an internal but fully autonomous consumer protection unit). Finally, and perhaps most ominously for many participants, it was noted that Treasury approval was now required for new liquidity facilities—as a number of participants pointed out, if that rule had been in effect in 2008, it might have prevented the Fed from carrying out the measures that had prevented a full-scale financial meltdown.

INSTITUTIONAL LEVEL

While there were disagreements on how macroprudential regulation should be carried out and by whom, there appeared to be a consensus that the effective management of systemic risk would depend on how financial institutions themselves changed their own risk management. As one participant put it, this would be a good opportunity to "bring a macro perspective to micro-level regulation." Participants raised a number of concerns in this regard, including widespread uncertainty in the post-crisis world about how to define systemic risk and how financial institutions should react to internal analysis, issues relating to credit rating agencies, and the perennial questions of whether supervisors could effectively monitor sophisticated risk management systems and whether they would choose to over-regulate and choke off financial innovation. One example offered by some participants was the possibility of a bank tax, either on all banks or confined to SIFIs.

Much of the discussion of institutional-level issues revolved around the role of risk managers. Despite the increasing importance attached to risk managers' jobs, participants raised a number of concerns regarding financial institutions' ability to effectively manage risk. From a macroprudential perspective, one of the problems highlighted was the problem of defining and measuring "systemic risk" and its likely effects on a given financial institution. This was linked by some participants to a broader problem about the inadequacy of existing technology and metrics available to risk managers; while some of the discussion of regulation in both Sessions 1 and 2 addressed issues of accuracy and transparency of information disclosure and accounting, these participants argued that there was still great uncertainty of how all that information could be synthesized to create a holistic picture of the various risks facing financial institutions. This was seen as one reason for the reliance by both financial institutions and regulatory systems on credit-rating agencies.

An additional set of issues regarding the way in which financial institutions deal with both unit-level and systemic risk had to do with the relationship between risk management and financial decisions. One concern was that, just as no one was quite sure of how to define and measure risk, there was also great uncertainty of how financial institutions should go about integrating risk assessments in their lending, investing, or trading activities. There was also a concern about how risk management fit with corporate governance, as participants noted that reporting lines and systems of accountability varied considerably among financial institutions, but that there was no consensus regarding best practices.

Participants identified bank examiners as an additional line of defense at the institutional level in addressing systemic risk. While examiners might not have the same problems of mixed motives that risk managers were seen to face, there was concern about examiners' ability to analyze complex risk management strategies or to keep up with developments in the financial institutions they regulated. Moreover, the

lack of clearly-defined and widely-accepted criteria for evaluating systemic risk and its effects on individual financial institutions might require examiners to use fairly crude indicators for judging institutions' susceptibility to systemic crises.

This led to two final concerns, that the rush to develop and implement macroprudential regulation might have negative effects on financial innovation and that it would increase the regulatory burden on banks and other financial institutions even beyond the specific requirements mandated by Dodd-Frank and similar regulations at the level of individual financial institutions. In response, some participants questioned whether the vigorous efforts by the U.S., EU, and UK in remaking financial regulation and trying to implement macroprudential regulation might be repeating what they saw as Japan's mistakes in discouraging innovation. Others were more sanguine, expressing the view that renewed attention to managing risk would be a positive development.

Session 3

Desirable Macroeconomic Policy Mix

The Symposium was held as fiscal policies were being debated fiercely in both Japan and the U.S. and as the two countries' central banks were signaling new rounds of quantitative easing. In this context, participants vigorously discussed macroeconomic policies in Japan and the U.S. There were particularly pronounced disagreements regarding appropriate monetary policy, but issues of fiscal sustainability were also among the concerns of participants.

ECONOMIC STAGNATION AND DEFLATIONARY TENDENCIES

Participants expressed concern about economic conditions in both Japan and the U.S. Both economies were seen to be growing at rates considerably below their potentials, and concerns were expressed regarding the possibility of their falling back into recession. Some participants saw deflation as likely in one or both economies.

Nonetheless, important differences were noted between the economic situations of the two countries. In Japan, long-term economic weakness and mild deflation were seen to have taken a heavy toll on the level of economic activity. Most participants saw these deflationary tendencies as arising from economic weakness (lack of demand for consumption, cash hoarding by corporations, and ineffectual monetary policy); however, some participants argued that deflation in prices of goods and services was a reflection of technological change and economic liberalization, and was therefore not necessarily a problem. But even they expressed concern about the consequences of the profound and long-term decline in asset prices, particularly in real estate. A similar trend was noted for stock prices, albeit with more movement up as well as down, and some participants expressed concern that stock prices—especially for financials—were again at historically low levels. The negative impact on household wealth was seen as likely to compound the impact of declines in personal income. A number of participants noted that Japan would thus remain heavily dependent on exports and government spending for growth, but that those sources of demand growth might be reaching their limits.

As for the U.S., economic weakness was for the most part attributed to the financial crisis and to the after-effects of a decade's worth of overinvestment in real estate that was paralleled by massive overborrowing by households for the purposes of both real estate and consumption. However, it was pointed out that—despite its global effects—the size of the real estate bubble in the U.S. was still significantly smaller than Japan's asset bubble of the late 1980s, and that asset price inflation had not been nearly as great. Thus, unlike in Japan, where household consumption had been low and household incomes stagnating or declining for years, the current U.S. economic downturn was seen by most participants as more cyclical than structural. Nonetheless, participants recognized that declines in household wealth and income were likely to contribute to below-trend growth for the

next several years and that the possibility remained of a return to recession. There were also a number of participants who argued that the U.S. situation was likely to get much worse, as banks remained unwilling to lend, foreclosures and bankruptcies mounted, and stock and bond prices returned to earth.

FISCAL CHALLENGES

The continuing high fiscal deficits and debts, as well as contingent obligations (such as social security), of the Japanese and U.S. governments raised a number of concerns for participants. The Japanese situation was seen as particularly dire, with bonds financing over half of the national government's general account budget and gross debt of over 200% of GDP. The problem was seen as even more acute due to Japan's declining workforce and rapid aging population—not only were the government's health care and pension obligations expected to grow rapidly, participants noted that the tax base would grow slowly at best due to the declining workforce. Lower than potential growth over most of the previous two decades was seen as exacerbating the problem. Although so far Japanese investors had been willing to fund the debt, some participants worried that Japan might be headed for a time when markets would be unwilling to absorb additional debt at such low interest rates.

U.S. fiscal problems were seen as less dire in the medium-term, as debt levels relative to GDP were significantly lower and the U.S. economy was seen as having higher growth potential. But a number of participants raised concerns about the longer term, due to the burgeoning costs of contingent liabilities (especially health care and social security) as well as the political difficulty of raising revenues. Some also noted that the simultaneous phenomenon of high current account deficits meant that, unlike Japan, the U.S. would be dependent on foreign creditors to fund its debts.

Some participants suggested that in both countries, fiscal systems had effectively become mechanisms for intergenerational transfers from the young and working-aged populations to the elderly. They felt that aging of both societies, but particularly that of Japan, would make these intergenerational flows unsustainable. Some of these participants felt that the two countries' political situations would not allow for a reversal of intergenerational transfers, leaving inflation as the only option for making fiscal systems sustainable in the long run. Other participants disputed those points of view, expressing the view that problems of fiscal sustainability should not be addressed through intergenerational conflict but rather through growth-oriented policies. Some also held out hope that political leadership could contribute to effective and equitable fiscal rebalancing.

MONETARY POLICY

Perhaps the most contentious arguments surrounded monetary policy. Many participants appeared to agree with the position that weak demand and the threat (or, in Japan, the reality) of deflation called for assertive monetary policies in both countries to expand the supply of credit in the economy. Others were strongly opposed to the policies of ultra-low interest rates and quantitative easing, arguing that they distorted incentives and only postponed the need to shoulder adjustment costs even as they allowed those adjustment costs to grow ever larger.

One point of disagreement among participants was over the efficacy of ultra-low interest rates and quantitative easing for improving macroeconomic conditions. One group of participants thought that these monetary policy measures were essential for economies facing deflation and liquidity traps. They argued that the Bank of Japan had been timid in its use of quantitative easing and that the post-bubble history of Japanese monetary policy could be summed up as "too little, too late." These participants were skeptical of the BOJ's recent announcements regarding new quantitative easing measures, which they saw as insufficiently ambitious. In contrast, they praised the actions of the Fed, which had carried out a much bolder quantitative easing by dramatically expanding its balance sheet in September 2008, and was predicted to implement a second round of large-scale quantitative easing.

Other participants, many of whom based in Japan, strongly disagreed with that assessment. They argued that, rather than being the cure for deflation and stagnation, quantitative easing was contributing to the problems. Some pointed to negative wealth effects resulting from nominal interest rates that were essentially at zero. They also expressed concern that ultra-low interest rates were very corrosive for the banking system, both because margins on lending were so low that it made banks risk-averse and because there was no real incentive for lenders to force discipline on borrowers. They also expressed fear that the easy money was creating new bubbles, including in government debt markets, and that when these bubbles burst the consequences would be severe. Other quantitative easing critics predicted a return to 1970s-style stagflation. Thus, they advocated a "normalization" of interest rates to higher levels. They recognized that this might have short-term negative effects on economic activity, but insisted that it would be better to accept short-term pain in order to restructure Japan's economy and wring out inefficiencies.

MACROECONOMIC POLITICS

In participants' discussions of both fiscal and monetary policies, politics loomed large. Many participants decried what they saw as political gridlock in the two countries, which they saw as severely constraining fiscal policy and not allowing a rational debate over how to address issues of contingent liabilities and long-term sustainability. They feared that fiscal rigidity was leading to an excessive reliance on monetary policy in both countries. They also expressed the fear that perhaps only a serious crisis could force effective political action, but that by then it might be too late. While participants differed in their assessments of governments' room for maneuver, they felt that U.S. and Japanese reliance on deficit-financed government spending to deal with structural (Japanese) or cyclical (U.S.) underconsumption would be addictive, and asked the question of how either political system could generate the will to significantly reduce spending or increase revenues.

In monetary policy as well, participants saw politics as important. Some criticized Fed policy as being overly responsive to political demands to support economic growth (as opposed to just price stability). Most focused primarily on the future, however. A number of participants expressed concern, for example, that it would be difficult to exit from quantitative easing measures in an election year. More broadly, there was a concern that central banks were being forced into executing fiscal policy, either by purchasing massive amounts of government debt or by purchasing troubled assets (e.g., corporate stocks or bonds) that governments could not purchase themselves. Participants feared that by doing so, central banks were exposing themselves to much more direct political pressure than in the normal course of events, and that monetary policy might become perpetually subordinate to the needs of politicians.

Finally, participants discussed the international political and economic implications of massive quantitative easing. Even some proponents of easing expressed some unease about the effects of liquidity programs on other countries. Several participants compared the conditions of large-scale capital inflows in East Asia with the years leading up to the 1997-1998 Asian Financial Crisis, and expressed fears that history might repeat itself. A number of participants also agreed with Chinese and Brazilian accusations that quantitative easing was at least partly an attempt to devalue the U.S. and Japanese currencies, and was thus an irresponsible act that might contribute to "currency wars." Others objected to this point of view, however, arguing that quantitative easing was a necessary condition for growth in the U.S. and Japan, and that lack of coordinated macroeconomic response from other countries (as seen in German austerity policies, ECB reticence to engage in vigorous easing, and Chinese resistance to RMB revaluation) left the Fed with no option but to implement massive quantitative easing.

Appendix

Symposium Participants

Symposium Agenda

Sponsor Profiles

Symposium Participants

Yasushi Akashi
Chairman, International House of Japan

Emily Altman
Senior Policy Advisor, Fleishman-Hillard

Akira Ariyoshi
Professor, Asian Public Policy Program, School of International and Public Policy, Hitotsubashi University

David Asher
Senior Fellow, Center for New American Security

David Baeckelandt
Director, Sales and Marketing, Segall Bryant & Hamill

Laurence Bates
General Counsel, Japan; Director, International Law and Policy, Asia-Pacific, GE Japan Corporation

Jeffrey Bohn
Chief Executive Officer, Soliton Japan, Inc.

Thomas Cargill
Professor of Economics, University of Nevada, Reno

Andrew Conrad
Senior Vice President and Counsel, Aflac International, Inc.

Janet Corstorphin
General Counsel, State Street Trust & Banking Company

Kenneth Neil Cukier
Japan Correspondent, The Economist

C. Wallace DeWitt
Associate, Davis Polk & Wardwell LLP

Robert Dohner
Deputy Assistant Secretary for Asia, U.S. Department of the Treasury

Steven Doi
Partner, Squire Sanders & Dempsey

Bradley Edmister
Partner, Ropes & Gray LLP

Christina Ellerker
Vice President, Regulatory, Moody's Asia Pacific Ltd.

Yutaka Endo
Deputy President, Mizuho Securities Co., Ltd.

Fabiana Fedeli
Fund Manager, Occam Asset Management

Robert Alan Feldman
Managing Director, Morgan Stanley MUFG Securities Co., Ltd.

Takuya Fujii
President and Chief Executive Officer, Promontory Financial Japan

Hideaki Fukazawa
President and Managing Partner, Tokio Marine Capital Co., Ltd.

Atsushi Fukui
Partner and CPA, KPMG AZSA & Co.

Takashiro Furuhata
Executive Director, International House of Japan

Yoriko Goto
Partner, Deloitte Touche Tohmatsu LLC

William Grimes
Professor and Department Chair of International Relations, Boston University

Yasuhiro Harada
Director, Institute for Economic Research and Financial Strategy, Future Architect, Inc.

Masao Hasegawa
Managing Director, Group Chief Risk Officer, and Chief Compliance Officer, Mitsubishi UFJ Financial Group, Inc.

Keiji Hatano
Special Counsel, Sullivan & Cromwell LLP

Takayoshi Hatayama
Advisor, ABeam Consulting

Yuka Hayashi
Tokyo Correspondent, The Wall Street Journal

Akinari Horii
Special Advisor, The Canon Institute for Global Studies

Doug Hymas
President and Chief Executive Officer, ING Investment Management, Japan

Toshiya Ishida
Director, Market Development, Japan and Korea, Standard & Poor's

Takatoshi Ito
Professor, Graduate School of Economics, University of Tokyo

Tadashi Iwashita
Chairman, Lone Star Japan Acquisitions Ltd.

Richard Jerram
Head of Asian Economics, Macquarie Securities

Hiroyuki Kamano
Partner, Kamano Sogo Law Offices

Donald Kanak
Chairman, Prudential Corporation Asia

Masaaki Kanno
Managing Director, Chief Economist, JPMorgan Securities Japan Co., Ltd.

Yasuo Kanzaki
Advisor, Nikko Cordial Securities, Inc.

Robert Kaproth
Financial Attaché, U.S. Department of the Treasury, U.S. Embassy, Tokyo

Shigesuke Kashiwagi
Senior Managing Director, Government Affairs and Risk Advisory Group, Nomura Holdings, Inc.

Etsuko Katsu
Vice President, International, Meiji University

Brian Kelly
Managing Partner, Asian Century Quest

Shigeki Kimura
Cabinet Councilor, Cabinet Secretariat, Government of Japan

Hiroshi Kobayashi
Senior Managing Director, Nikko Cordial Securities, Inc.

Toshio Kobayashi
Senior Partner, Nagashima Ohno & Tsunematsu

Kozo Koide
Chief Economist, DIAM Co., Ltd.

Mikita Komatsu
Senior Managing Director, Daiwa Securities Capital Markets Co., Ltd.

Dino Kos
Managing Director, Portales Partners LLC

David Krasnostein
Head, MLC Private Equity

Tetsuya Kubo
Senior Managing Director, Sumitomo Mitsui Banking Corporation

Christopher LaFleur
Vice Chairman, JPMorgan Securities Japan Co., Ltd.

Marisa Lago
Assistant Secretary for International Markets and Development, U.S. Department of the Treasury

Charles Lake II
Chairman and Representative, Aflac Japan

Seo Young Lee
Partner, Oliver Wyman

Junichi Maruyama
Senior Advisor, Citibank Japan Ltd.

Tomoya Masanao
Managing Director, PIMCO Japan

Dan McCardell
Deputy Director, Program on International Financial Systems, Harvard Law School

Dick McCormack
Executive Vice Chairman, Bank of America Merrill Lynch

Barry Metzger
Partner, Baker & McKenzie

Anthony Miller
Chief Executive Officer, Pacific Alliance Japan Limited

Arthur Mitchell III
Senior Counselor, White & Case LLP

Nobuchika Mori
Deputy Director General, Financial Services Agency, Japan

Harry Murakami
President and Chief Executive Officer, DBJ Investment Advisory Co., Ltd.

Naoki Murakami
Chief Economist, Financial Intelligence Department, Monex, Inc.

Satoru Murase
Partner, Bingham McCutchen Murase LLP

Yukinori Nagahisa
Partner, Brown Brothers Harriman & Co.

Naoko Nakamae
Finance and Business Correspondent, The Economist

Tadashi Nakamae
President, Nakamae International Economic Research

Takehiko Nakao
Director-General of the International Bureau, Ministry of Finance, Japan

Akira Nakazawa
Partner, Sidley Austin Nishikawa Foreign Law Joint Enterprise

Tomoo Nishikawa
Managing Partner, Sidley Austin Nishikawa Foreign Law Joint Enterprise

Koichi Noda
Executive Officer, Rakuten, Inc.

Akihiro Nojiri
Managing Director and Partner, VOX Global Japan

Allan O'Bryant
President and Chief Executive Officer, RGA Reinsurance Company

Alicia Ogawa
Senior Advisor, Center on Japanese Economy and Business, Columbia University

Kenji Okamura
Director, Development Policy Division, International Bureau, Ministry of Finance, Japan

Yuri Okane
Senior Policy Analyst, Tudor Investment Corporation

Masayuki Oku
President and Chief Executive Officer, Sumitomo Mitsui Banking Corporation; Chairman, Japanese Bankers Association

Tsutomu Okubo
Member of the House of Councillors, The Democratic Party of Japan

Yoshio Okubo
Senior Managing Director and Chief Regulatory Officer, Japan Securities Dealers Association

Hideaki Ono
Director-General, International Department, Bank of Japan

Hiroshi Ota
Independent Director, Kasikorn Bank, Thailand; Japanese Coordinator for the Symposium

Takashi Oyama
Counselor on Global Strategy to President and Board of Directors, The Norinchukin Bank Group

Tsuyoshi Oyama
Partner, Deloitte Touche Tohmatsu LLC

Theodore Paradise
Partner, Davis Polk & Wardwell LLP

Hugh Patrick
R.D. Calkins Professor of International Business Emeritus and Director, Center on Japanese Economy and Business, Columbia Business School

Thierry Porté
Operating Partner, J.C. Flowers & Co., LLC

Robin Radin
Co-Founder, Harvard Law School Japan-U.S. Symposium

Nickolas Reinhardt
Chair, International Financial and Regulatory Affairs; Senior Policy Advisor, Fleishman-Hillard

Atsushi (Andy) Saito
President and Chief Executive Officer, Tokyo Stock Exchange Group, Inc.

Haruhiko (Harry) Saito
Chief Executive Officer and Managing Director, Tokyo International Consulting KK

Yoneo Sakai
Senior Advisor, HSBC Securities (Japan) Limited

Jathon (Jay) Sapsford
Managing Director and Chief Administrative Officer, Morgan Stanley MUFG Securities Co., Ltd.

Kozo Sasaki
Partner, Linklaters LLP

Takafumi Sato
Senior Advisor, Promontory Financial Group

Joseph Schmuckler
Managing Partner, Medley Capital

Hal S. Scott
Nomura Professor and Director, Program on International Financial Systems, Harvard Law School

Yuta Seki
Senior Analyst, Chief Representative, Nomura Institute of Capital Markets Research

Henny Sender
Chief International Financial Correspondent, Financial Times

Clifford Shaw
Chairman, Chamberlain Holdings Ltd.

Paul Sheard
Global Chief Economist, Global Head of Economic Research, Nomura Securities International, Inc.

Rieko Shimojo
Executive Officer, Bayview Asset Management Co., Ltd.

Mark Siegel
Portfolio Manager, Elliott Management Corporation

Catherine Simmons
Vice President, Government, Regulatory, and Industry Affairs, Asia Pacific, State Street and Trust Company

Allan Smith
Lawyer, private practice

Paul Speltz
Chairman and Chief Executive Officer, Global Strategic Associates, LLC

Anthony Stevens
Partner, Head of Asia Pacific, Oliver Wyman

Akira Sugano
Executive Officer and General Manager, International Coordination Division, Mizuho Corporate Bank Ltd.

Shigemitsu Sugisaki
Vice Chairman, Goldman Sachs Japan

Yoshiteru (Terry) Suzuki
President, Cerberus Japan KK

Naoki Tabata
Senior Advisor, RHJ International Japan

Hideyuki Takahashi
Senior Corporate Managing Director, Head of Global Research, Nomura Holdings, Inc.

Ken Takamiya
Senior Research Officer, Nomura Securities Co., Ltd.

Toshikazu Takei
Senior Executive Advisor, Accenture Japan Ltd.

Eiichi Tanabe
Treasurer, Senior Vice President, Mitsubishi Corporation

Akira Tanaka
Managing Director, Deloitte Touche Tohmatsu LLC, Japan

Tomohiko Taniguchi
Professor, International Political Economy, Keio University Graduate School of System Design and Management

Hidetoshi Tanimura
Principal, Ernst & Young ShinNihon LLC

Keiichiro Ubukata
Vice President, Client Services and Sales, Japan and Korea, Standard & Poor's

Hiroshi Ueki
Managing Director and Head of Government Affairs, Goldman Sachs Japan

Tomoyoshi Uranishi
Senior Executive Officer, Tokyo Stock Exchange Group, Inc.

James Walsh
Managing Director, Prisma Capital Partners LP

Hiroshi Watanabe
President and Chief Executive Officer, Japan Bank for International Cooperation

Peter Watson
President and Chief Executive Officer, The Dwight Group LLC

Christopher Wells
Partner, White & Case LLP

Andrew Winden
Partner, Morrison & Foerster LLP

Heather Wingate
Managing Director, Public Affairs, Nomura Holdings America, Inc.

Osamu Yamamoto
Partner, Unison Capital, Inc.

Yoichiro Yokoyama
Managing Executive Officer, Development Bank of Japan, Inc.

Yukio Yoshimura
Executive Officer, Citigroup Japan Holdings Corp.

Jeffrey Young
Head of Foreign Exchange Research, North America, Barclays Capital

Symposium Agenda

FRIDAY, OCTOBER 22

6:30–6:40 p.m. GREETINGS

- Yasushi Akashi, Chairman, International House of Japan
- Hal S. Scott, Nomura Professor and Director, Program on International Financial Systems, Harvard Law School

6:40–7:40 p.m. KEYNOTE ADDRESS

- Masayuki Oku, President and Chief Executive Officer, Sumitomo Mitsui Banking Corporation; Chairman, Japanese Bankers Association
- Thierry Porté, Operating Partner, J.C. Flowers & Co., LLC

SATURDAY, OCTOBER 23

8:15–8:25 a.m. OPENING REMARKS

- Robin Radin, Co-Founder, Harvard Law School Japan-U.S. Symposium

8:25–8:45 a.m. PANEL SESSION

Topic 1: New Banking Regulations and Their Implications for International Banking
- Japanese Panelist: Shigesuke Kashiwagi, Senior Managing Director, Government Affairs and Risk Advisory Group, Nomura Holdings, Inc.
- U.S. Panelist: Hal S. Scott, Nomura Professor and Director, Program on International Financial Systems, Harvard Law School

8:50–10:15 a.m. SMALL GROUP SESSIONS

Group

1 Facilitator: Akira Ariyoshi, Professor, Asian Public Policy Program, School of International and Public Policy, Hitotsubashi University
Facilitator: Satoru Murase, Partner, Bingham McCutchen Murase LLP
Reporter: William Grimes, Professor and Department Chair of International Relations, Boston University

2 Facilitator: Hiroshi Ota, Independent Director, Kasikorn Bank, Thailand; Japanese Coordinator for the Symposium
Facilitator: Donald Kanak, Chairman, Prudential Corporation Asia
Reporter: C. Wallace DeWitt, Associate, Davis Polk & Wardwell LLP

3 Facilitator: Tomoyoshi Uranishi, Senior Executive Officer, Tokyo Stock Exchange Group, Inc.
Facilitator: Joseph Schmuckler, Managing Partner, Medley Capital
Reporter: Dino Kos, Managing Director, Portales Partners LLC

4 Facilitator: Hiroyuki Kamano, Partner, Kamano Sogo Law Offices
Facilitator: Laurence Bates, General Counsel, Japan; Director-International Law and Policy, Asia-Pacific, GE Japan Corporation
Reporter: Arthur Mitchell III, Senior Counselor, White & Case LLP

5 Facilitator: Akinari Horii, Special Advisor, The Canon Institute for Global Studies
Facilitator: Mark Siegel, Portfolio Manager, Elliott Management Corporation
Reporter: Christopher Wells, Partner, White & Case LLP

6 Facilitator: Tadashi Iwashita, Chairman, Lone Star Japan Acquisitions Ltd.
Facilitator: Brian Kelly, Managing Partner, Asian Century Quest
Reporter: Alicia Ogawa, Senior Advisor, Center on Japanese Economy and Business, Columbia University

7 Facilitator: Takayoshi Hatayama, Advisor, ABeam Consulting
Facilitator: David Krasnostein, Head, MLC Private Equity
Reporter: Andrew Conrad, Senior Vice President and Counsel, Aflac International, Inc.

10:25–10:45 a.m. PANEL SESSION

Topic 2: Macroprudential Control and a New Regulatory Regime
- Japanese Panelist: Naoki Tabata, Senior Advisor, RHJ International Japan
- U.S. Panelist: Jeffrey Bohn, Chief Executive Officer, Soliton Japan, Inc.

10:50 a.m.–12:15 p.m. SMALL GROUP SESSIONS

Group

1 Facilitator: Yasuhiro Harada, Director, Institute for Economic Research and Financial Strategy, Future Architect, Inc.
Facilitator: Jathon (Jay) Sapsford, Managing Director and Chief Administrative Officer, Morgan Stanley MUFG Securities Co., Ltd.
Reporter: Andrew Conrad, Senior Vice President and Counsel, Aflac International, Inc.

2 Facilitator: Shigeki Kimura, Cabinet Councilor, Cabinet Secretariat, Government of Japan
Facilitator: Dick McCormack, Executive Vice Chairman, Bank of America Merrill Lynch
Reporter: Alicia Ogawa, Senior Advisor, Center on Japanese Economy and Business, Columbia University

3 Facilitator: Naoki Tabata, Senior Advisor, RHJ International Japan
Facilitator: Catherine Simmons, Vice President, Government, Regulatory, and Industry Affairs, Asia Pacific, State Street and Trust Company
Reporter: C. Wallace DeWitt, Associate, Davis Polk & Wardwell LLP

4 Facilitator: Hideaki Fukazawa, President and Managing Partner, Tokio Marine Capital Co., Ltd.
Facilitator: Anthony Stevens, Partner, Head of Asia Pacific, Oliver Wyman
Reporter: William Grimes, Professor and Department Chair of International Relations, Boston University

5 Facilitator: Yoshio Okubo, Senior Managing Director and Chief Regulatory Officer, Japan Securities Dealers Association
Facilitator: Yoshiteru (Terry) Suzuki, President, Cerberus Japan KK
Reporter: Christopher Wells, Partner, White & Case LLP

6 Facilitator: Naoko Nakamae, Finance and Business Correspondent, The Economist
Facilitator: Thomas Cargill, Professor of Economics, University of Nevada, Reno
Reporter: Dino Kos, Managing Director, Portales Partners LLC

7 Facilitator: Takashi Oyama, Counselor on Global Strategy to President and Board of Directors, The Norinchukin Bank Group
Facilitator: Paul Speltz, Chairman and Chief Executive Officer, Global Strategic Associates, LLC
Reporter: Arthur Mitchell III, Senior Counselor, White & Case LLP

12:15–1:30 p.m. LUNCHEON KEYNOTE ADDRESS

- Atsushi Saito, President and Chief Executive Officer, Tokyo Stock Exchange Group, Inc.

1:30–3:00 p.m. PANEL SESSION

Topic 3: Desirable Macroeconomic Policy Mix
- Japanese Panelist: Takatoshi Ito, Professor, Graduate School of Economics, University of Tokyo
- Japanese Panelist: Tadashi Nakamae, President, Nakamae International Economic Research
- U.S. Panelist: Robert Alan Feldman, Managing Director, Morgan Stanley MUFG Securities Co., Ltd.
- U.S. Panelist: Paul Sheard, Global Chief Economist, Global Head of Economic Research, Nomura Securities International, Inc.

3:00–6:00 p.m. REPORTERS MEETING

6:45–7:45 p.m. KEYNOTE ADDRESS

- Takehiko Nakao, Director-General of the International Bureau, Ministry of Finance, Japan
- Marisa Lago, Assistant Secretary for International Markets and Development, U.S. Department of the Treasury

SUNDAY, OCTOBER 24

8:15–9:15 a.m. PRESENTATION AND DISCUSSION

Topic 1: New Banking Regulations and Their Implications for International Banking
- Japanese Chair: Akinari Horii, Special Advisor, The Canon Institute for Global Studies
- U.S. Chair: Christopher LaFleur, Vice Chairman, JPMorgan Securities Japan Co., Ltd.

9:20–10:20 a.m. PRESENTATION AND DISCUSSION

Topic 2: Macroprudential Control and a New Regulatory Regime
- Japanese Chair: Hiroshi Watanabe, President and Chief Executive Officer, Japan Bank for International Cooperation
- U.S. Chair: Dick McCormack, Executive Vice Chairman, Bank of America Merrill Lynch

10:30–11:30 a.m. PRESENTATION AND DISCUSSION

Topic 3: Desirable Macroeconomic Policy Mix
- Japanese Chair: Akira Ariyoshi, Professor, Asian Public Policy Program, School of International and Public Policy, Hitotsubashi University
- U.S. Chair: Masaaki Kanno, Managing Director and Chief Economist, JPMorgan Securities Japan Co., Ltd.

Sponsor Profiles

GLOBAL SPONSORS

Goldman Sachs

The Goldman Sachs Group, Inc., is a leading global investment banking, securities, and investment management firm that provides a wide range of financial services to a substantial and diversified client base that includes corporations, financial institutions, governments, and high-net-worth individuals. Founded in 1869, the firm is headquartered in New York and maintains offices in London, Frankfurt, Tokyo, Hong Kong, and other major financial centers around the world.



STATE STREET.

With $19.0 trillion in assets under custody and administration, and $1.8 trillion in assets under management as of June 30, 2010, State Street is a leading financial services provider serving some of the world's most sophisticated institutions. We offer a flexible suite of services that spans the investment spectrum, including investment management, research and trading, and investment servicing. With operations in 25 countries serving clients in more than 100 markets, our global reach, expertise, and unique combination of consistency and innovation help clients manage uncertainty, act on growth opportunities, enhance the value of their service, and optimize cost structures. www.statestreet.com

SPONSORS

Aflac

Aflac is the number one provider of guaranteed-renewable insurance in the United States and the number one insurance company in terms of individual insurance policies in force in Japan. For more than 50 years, Aflac products have given policyholders the opportunity to direct cash where it is needed most when a life-interrupting medical event causes financial challenges. Aflac insures more than 40 million people worldwide. Aflac Incorporated is a Fortune 500 company. Aflac's goal is to provide peace of mind and reduce financial burdens for our policyholders during times of medical distress, allowing them to focus on recovery rather than monetary issues. We do this by offering competitive policies that provide cash benefits directly to consumers to help them pay out-of pocket expenses arising from illnesses or accidents.

Asian Century Quest

Asian Century Quest Capital LLC (ACQ) is a New York based investment management firm with assets under management of over $1 billion. The portfolio is comprised principally of publicly listed equities

domiciled across Asia, with select investments in securities from outside the region. ACQ seeks to achieve superior investment returns by utilizing rigorous, research-driven fundamental analysis to identify longer term investment opportunities across all major countries in the region. The firm's goal is to leverage its pan-Asian focus to identify companies in which capital can be reinvested at an attractive rate of return for a sustained period. The investment team includes a matrix of 15 research analysts based in New York and five in Tokyo, combining sector-specific insights with country and regional expertise. The team has native language fluency in Japanese, Korean, and Mandarin Chinese.

Bank of Tokyo-Mitsubishi UFJ

The Bank of Tokyo-Mitsubishi UFJ, Ltd., (BTMU) was formed in January 2006 through the merger of The Bank of Tokyo-Mitsubishi, Ltd., and UFJ Bank Limited. BTMU offers an extensive scope of commercial and investment banking products and services to its domestic and overseas customers. It also provides trust banking, securities, credit card, consumer finance, and many more fields of financial services in close cooperation with group companies. The bank has the largest overseas network of any Japanese bank, comprising office, and subsidiaries, including Union Bank, in more than 40 countries.
http://www.bk.mufg.jp/english/index.html

BAYVIEW ASSET MANAGEMENT

Bayview Asset Management Co., Ltd., is a Tokyo-based asset management boutique founded in 1998, and advises institutional clients, including life and non-life insurances, banks, and pension funds on assets of over $2.4 billion in traditional and alternative investment strategies.

Bayview has a full-fledged and independent organization, 100% of which is owned by the officers, employees, and former employees. Bayview owns the complete in-house operational infrastructure to provide timely support to investors.

Bayview's organization is built around a belief that the separation of Portfolio Management and Corporate Management functions is important so a portfolio manager can direct his undivided attention to investment and act on his ideal investment philosophy.

One of the few established boutique asset managements in Japan:

- Registered as Financial Instruments Firm (Kanto Local Finance Bureau Director-General (FIF) No.397
- Qualified to manage pension fund's assets (Discretionary Investment Management
- Qualified to manage Japan-domicile investment trust funds (Investment Trust Management)

http://www.bayview.co.jp/

BINGHAM

Bingham McCutchen Murase is an international law firm serving clients in complex financial transactions, financial regulatory, high-stakes litigation, and a full range of corporate matters. The firm has over 70 lawyers in Tokyo, and more than 50 years of experience in Japanese global matters, and provides strategic legal, business, and governmental advice crucial for business success.

The nearly 1,100 attorneys in our U.S., Tokyo, London, Hong Kong, and Frankfurt offices advise and

represent major corporations in numerous deals and disputes involving Japan and Asia affiliated companies. The firm provides clients with the strategic insight crucial for navigating the unique cultural framework of the region. Our firm offers teams of professionals with broad experience in cross-border matters, including M&A, project finance, financial transactions, joint ventures, complex litigation, intellectual property, governmental relations, and regulatory matters with special strength in major cross-border insolvency and corporate restructuring matters.

CERBERUS
CERBERUS JAPAN K.K.

Cerberus and its affiliated funds comprise one of the largest groups of funds globally with over US$24billion of equity capital under management. Cerberus specializes in providing both financial resources and operational expertise to help transform undervalued companies into industry leaders for long-term success and value creation. Cerberus holds controlling or significant minority interests in over 40 companies globally. These companies collectively employ over 225,000 people, conduct business in over 140 countries, and generate annual revenue in excess of US$45 billion. Cerberus is headquartered in New York City with offices in Chicago, Los Angeles, London, Baarn, Dubai, Tokyo, Beijing, and Taipei.

As part of its global investment platform, Cerberus is one of the largest investors in Japan. Since commencement of activities in 1998, Cerberus has completed over US$10 billion of investments in Japan, representing Cerberus' second most active market after the United States. Cerberus' extensive experience in owning and operating businesses includes financial institutions (Aozora Bank), transportation and leisure businesses (Kokusai Kogyo and Seibu/Prince Hotel), and real estate development and management businesses (Showa Jisho).

Daiwa
Capital Markets

Daiwa Capital Markets is the wholly-owned investment banking arm of Daiwa Securities Group. The firm has over 4,000 employees worldwide and provides integrated financial services including brokerage, capital raising, IPOs, M&A, and other creative financial solutions to clients through a network of over 20 offices in Asia, the Middle East, Europe, North America, and Oceania.

The Daiwa Securities Group is currently pursuing its Mid-term Management Plan "Passion for the Best 2011," one of which polices includes expansion of its Asian business. Following the group strategy, the firm has clarified its intention to focus management resources on "Asian Strategy."
http://www.jp.daiwacm.com/english

Davis Polk

For more than 160 years, Davis Polk & Wardwell LLP has advised industry-leading companies and global financial institutions on their most challenging legal and business matters. The firm ranks among the world's preeminent law firms across the entire range of its practice. Based in New York, Davis Polk has approximately 750 lawyers in nine offices, including Tokyo, Hong Kong, and Beijing.

Davis Polk has a long history as one of the leading international firms in Japan. We opened a Tokyo office in 1987, and since then have played a leading role in the development of cross-border capital markets, M&A, private equity, credit, dispute resolution, and other matters involving Japanese

companies. Our Tokyo office is also closely integrated into our growing and diverse Asia practice, with Tokyo-based Davis Polk lawyers regularly engaged in matters involving Korea, China, Hong Kong, the Philippines, Indonesia, and India.

Development Bank of Japan Inc., (DBJ) was established as a joint-stock company on October 1, 2008 as the successor to the Development Bank of Japan, which had been a governmental financial institution for nearly a half-century. DBJ is currently wholly owned by the Japanese government and in the process of being privatized in line with the Development Bank of Japan Inc., Law (DBJ Law). Based on the DBJ Law, it provides integrated investment and loan services to domestic and international clients.

After DBJ engaged in the crisis response business as a part of the response to the financial crises, the Japanese government partially amended the DBJ Law. The amended law enables the government to strengthen DBJ's financial base through capital injections up to the end of March 2012. In addition, the targeted timing for the full privatization has been extended to approximately five to seven years from April 1, 2012.

Further, the Japanese government shall review the organization of DBJ, including the Japanese government's holding of DBJ shares, by the end of March 2012. http://www.dbj.jp/en/index.html

Deloitte is the brand under which tens of thousands of dedicated professionals in independent firms throughout the world collaborate to provide audit, consulting, financial advisory, risk management, and tax services to selected clients. These firms are members of Deloitte Touche Tohmatsu Limited (DTTL), a UK private company limited by guarantee. Each member firm provides services in a particular geographic area and is subject to the laws and professional regulations of the particular country or countries in which it operates. DTTL does not itself provide services to clients. DTTL and each DTTL member firm are separate and distinct legal entities, which cannot obligate each other. DTTL and each DTTL member firm are liable only for their own acts or omissions and not those of each other. Each DTTL member firm is structured differently in accordance with national laws, regulations, customary practice, and other factors, and may secure the provision of professional services in its territory through subsidiaries, affiliates, and/or other entities. www.deloitte.com

Elliott Management Corporation is responsible for the management of two funds, Elliott Associates, LP and Elliott International, LP, who together have more than $17 billion of capital under management. Founded in 1977, Elliott is one of the oldest firms of its kind under continuous management, and its investors include large institutions, college endowments, charitable trusts, family offices, and friends and employees of the firm. Elliott has major investment interests around the world and pursues a diversified trading program, emphasizing thoroughness, hard work, creativity, and tenacity. The firm seeks to generate an annual return with a high degree of consistency, regardless of fluctuations in the stock and bond markets. Since inception through July 1, 2009, Elliott has generated a 14.5% net compound annual return, compared to 10.4% for the S&P 500 stock index.

The annual standard deviation of returns for Elliott over this period was only 5.8%, compared with 16.3% for the S&P 500. Elliott's performance has been highly consistent throughout many market cycles and has resulted in only nine losing quarters during its more than 33-year history.

J.P. Morgan is part of JPMorgan Chase & Co., (NYSE: JPM), a global financial services firm with assets of $2.0 trillion, and a leader in financial services offering solutions to clients in more than 100 countries with one of the most comprehensive global product platforms available. We have been helping our clients to do business and manage their wealth for more than 200 years. Our business has been built upon our core principle of putting our clients' interests first. J.P. Morgan commenced its operations in Japan more than 85 years ago when the firm underwrote bonds for the government to finance the recovery of the Great Kanto Earthquake in 1924. Today, Tokyo has one of the firm's biggest offices in Asia Pacific, covering the Investment Bank, Asset Management, and Treasury and Securities Services. Each business leverages the firm's global products, services, and networks to the advantage of the local clients.

JSDA is a hybrid association functioning both as a self-regulatory organization (SRO) and as a trade association in the Japanese securities market. JSDA's more than 500 members consist of securities firms and other financial institutions operating securities businesses in Japan.

As a full-fledged SRO, JSDA extensively regulates market intermediaries. Its self-regulatory functions encompass rule-making, enforcement, inspection, disciplinary actions, accreditation of sales representatives, and dispute mediation.

As a trade association, JSDA relays the voice of the industry to the government and other related parties, conducts and promotes investor education to expand the base of knowledgeable investors, and implements various research and studies to generate policy recommendations for further activating the market. http://www.jsda.or.jp/html/eigo/index.html

Kamano Sogo Law Offices offers a full range of legal services in international and domestic business transactions. Practice areas are: International, Corporate, Commercial, Banking, Trust, Securities, Finance, Leases, Anti-Monopoly, Mergers and Acquisitions, Foreign Investments, Intellectual Property, and Litigation. Based on the firm's expertise and primary focus on international business transactions, the firm regularly assists overseas clients conducting business in Japan, as well as guiding Japanese clients with investments and businesses abroad.

Mr. Hiroyuki Kamano, the firm's founding partner, and other members of the firm have various international experience, which enables them to provide clients with a comprehensive legal representation from a global perspective. All of the members of the firm are committed to providing clients with legal representation based on dedication, experience, continuing legal education, and active involvement in legal and business developments.

KPMG AZSA LLC was established after the merger of ASAHI & Co., and AZSA & Co., in January 2004. With approximately 5,700 people in major cities in Japan, we provide audit, attestation, and advisory services such as preparation for initial public offerings and financial advisory services. We also offer professional services in specialized fields including financials, manufacturing, retail, IT, media, government, and healthcare.

As a member of KPMG International, KPMG AZSA LLC provides clients with a consistent set of professional services globally through a network in 146 countries. http://www.azsa.or.jp/

Linklaters is a law firm that advises the world's leading organizations on their most challenging transactions and assignments. With over 2,000 lawyers in 26 offices in the world's major business and financial centers, the Linklaters network delivers an outstanding service to our clients anywhere in the world. Our lawyers work closely with leading corporates, investment banks, and other major institutions, offering the highest quality advice to meet our clients' global and local requirements. We offer our clients an unrivalled range of leading practices, making us the obvious choice for legal advice in the areas of banking, capital markets, competition, corporate/M&A, employment and incentives, environment and climate change, financial regulation group, insurance, intellectual property, investment management, litigation and arbitration, pensions, private equity, projects, public and administrative law, real estate and construction, regulatory, restructuring and insolvency, tax, and technology, media and telecommunications. www.linklaters.com

Mitsubishi Corporation (MC) is Japan's largest general trading company (sogo shosha) with over 200 bases of operations in approximately 80 countries worldwide. Together with its over 500 group companies, MC employs a multinational workforce of approximately 60,000 people. MC has long been engaged in business with customers around the world in virtually every industry, including energy, metals, machinery, chemicals, food, and general merchandise.

MC seeks to contribute to the enrichment of society through business firmly rooted in principles of fairness and integrity.

Although our activities encompass everything from trading to business investment, the essence of what we do at MC can best be described as focusing on the needs and seeds of customers and society, conceiving business models, and reliably providing functions and services to propel these businesses forward.

Through consistent and dedicated efforts, MC is committed to further strengthening the high level of trust earned from our customers over the years. http://www.mitsubishicorp.com/jp/en/

MHCB provides optimal solutions to meet the increasingly diverse and sophisticated needs of customers in the areas of both finance and business strategies, focusing its efforts on serving major corporations (such as those

listed on the first section of domestic stock exchanges), financial institutions and their group companies, public sector entities, and Japanese and foreign companies overseas.

In addition to taking full advantage of the functions of other group companies such as

MHBK, MHSC, and MHTB, MHCB is utilizing its alliances with financial institutions around the world to offer a comprehensive range of groundbreaking financial service solutions on an ongoing, multifaceted basis as it aspires to become a top corporate finance provider that understands the broad-ranging needs of its customers. http://www.mizuhocbk.co.jp/english/

MLC Private Equity is one of Australia's oldest private equity investors having begun investing in this asset class globally from 1997. It is also one of the largest private equity investors in Australia having over AUD $4 billion in a diverse portfolio of global private equity commitments. The portfolio benefits from Australia's compulsory pension regime and the commercial success of MLC. MLC was founded in 1886 and is rated as Australia's largest insurance company and the second largest provider of pension funds in Australia. In 2000, MLC was acquired by National Australia Bank (NAB). NAB is one of the largest financial institutions in Australia and is ranked the 17th largest bank in the world. NAB itself has a long history with Japan, having established a representative office in Tokyo in 1969 and this year celebrates its 25th anniversary of branch establishment in Japan.

Monex Group, Inc., was established in 2004 as a holding company of Monex, Inc., and Nikko Beans, Inc., both established in 1999 as online brokerage firms. In 2005, Monex, Inc., and Nikko Beans, Inc., merged and became Monex, Inc., a core subsidiary of its group. The group also contains the companies in charge of asset management business, investor education business, M&A business, FX business, etc., and has overseas offices in New York and Beijing. Monex Group, Inc., is listed in the first section of TSE and is continuing to grow its businesses, aspiring to become a technology-based global online retail financial service provider. http://www.monexgroup.jp/

Morgan Stanley MUFG Securities Co., Ltd., offers premier products and services in fixed income and equity sales and trading, global capital markets, and investment research. With client-focused approach, expertise, and innovative thinking, Morgan Stanley MUFG Securities is the best-in-class financial services provider for clients ranging from government institutions and corporations to institutional investors in Japan.

The company, a consolidated subsidiary of Morgan Stanley, commenced business on May 1, 2010, changing its name from Morgan Stanley Japan Securities Co., Ltd., as part of the global strategic alliance between Morgan Stanley and Mitsubishi UFJ Financial Group. www.morganstanleymufg.com

Nagashima Ohno & Tsunematsu, established in 2000, is widely known as a leading law firm in Japan and a foremost provider of international and commercial legal services. We represent

domestic and foreign companies and organizations involved in every major industry sector and legal service area in Japan. We have successfully structured and negotiated many of Japan's largest and most significant corporate and finance transactions, and have deep litigation strength spanning key commercial areas, including intellectual property and taxation. As of September 1, 2010, we have 341 lawyers (inclusive of 11 foreign-licensed lawyers) capable of providing our clients with practical solutions to meet their business needs. http://www.noandt.com

Nikko Cordial Securities Inc.

Since its establishment in July 1918, Nikko Cordial Securities Inc.—then known as Kawashimaya Shoten—has grown with its customers for over 90 years. It started a new chapter in Nikko Cordial's history in October 2009 as a member of SMFG Group. One of the largest full service securities and investment banking firms in Japan and a provider of high-quality products and services, Nikko Cordial Securities is working with SMBC to create a new business model integrating banking and securities activities. It aims to become the number one securities company in Japan by delivering still more value.

Company Name: Nikko Cordial Securities Inc.
Business Profile: Securities services
Establishment: June 15, 2009
Head Office: Marunouchi 3-3-1, Chiyoda-ku, Tokyo, Japan
President and Chief Executive Officer: Eiji Watanabe
Employees: 6,533 (as of March 31, 2010)
http://www.nikko.co.jp

NOMURA

Nomura Holdings, Inc., is a leading global financial services organization. Through its subsidiaries and affiliates, Nomura provides financial services for individual, corporate, and government clients. Founded in 1925 by Tokushichi Nomura, the Nomura Group presently employs more than 27,000 people worldwide.

Nomura offers financial and advisory solutions through its global headquarters in Tokyo, more than 170 branch offices in Japan, and an international network, doing business in more than 30 countries with regional headquarters in New York, London, and Hong Kong. In the U.S., Nomura offers equity, fixed income, investment banking, research, and asset management services.

The Group's business activities include investment consultation and brokerage services for retail investors in Japan and, on a global basis, brokerage, trading, underwriting, investment banking, merchant banking, and asset management services. www.nomura.com

The Norinchukin Bank

The Norinchukin Bank (the "Bank") was established in 1923 as a quasi-governmental financial institution and became a private bank in 1959. The Bank is one of Japan's largest and most distinguished banks.

The Bank is the central bank for Japan's agricultural, forestry, and fishery cooperative systems. Based on constant funds procurement from member cooperatives, the Bank carries out efficient and flexible asset

management by investing in various financial products. This is carried out on a global scale. The profits from these activities are then continuously passed on to its members.

The Bank has branches in the world's major financial centers, including New York, London, and Singapore. Coupled with its head office in Tokyo, this network enables 24- hour coverage of the global financial markets.

OLIVER WYMAN

With more than 1,000 professionals in over 20 cities around the globe, Oliver Wyman Financial Services is an international management consulting firm that helps the world's leading financial institutions address their most significant challenges to shape the future of the industry. We have an unparalleled understanding of the evolving market structures, economics, and strategic and regulatory trends combined with specialized expertise in strategy, operations, risk management, and organizational transformation. Our distinct approach is characterized by deep specialization and rigorous fact-based analysis. We work across eight core practice areas:

- Corporate & Institutional Banking
- Retail & Business Banking
- Wealth & Asset Management
- Insurance
- Finance & Risk Management
- Corporate Finance and Advisory
- Strategic Information Technology and Operations
- Public Policy and Regulation

Oliver Wyman is part of Marsh & McLennan Companies [NYSE: MMC]. www.oliverwyman.com



Promontory is a leading strategy, risk management, regulatory, and compliance consulting firm for the financial services industry. Founded in 2001 by Eugene Ludwig, after having served as U.S. Comptroller of the Currency, Promontory has become a global firm with 12 offices in seven countries.

Promontory has earned an international reputation and respect from clients, financial regulators, and law enforcement authorities by providing thorough, independent, and objective reviews and assessments of client issues and concerns. As such, the leadership of the world's leading financial institutions and regulators look to Promontory to help navigate issues of compliance, capital adequacy, corporate governance, due diligence, and risk management.

Promontory operates at the intersection of strategy, risk, and regulatory attention. We provide our clients with sensible solutions that are both practical from the standpoint of management and boards of directors, and credible to regulatory overseers. We work with the leadership of the world's top financial institutions to identify, evaluate, and resolve issues of concern to them and to their regulators. http://www.promontory.com

西川シドリーオースティン 法律事務所・外国法共同事業
SIDLEY AUSTIN NISHIKAWA FOREIGN LAW JOINT ENTERPRISE

Established in 1866, Sidley is a truly global law firm, with more than 1,700 lawyers in 17 offices. The firm offers a comprehensive, multi-jurisdictional legal service.

In 2002, partners of Sidley Austin Gaikokuho Jimu Bengoshi Jimusho entered into a joint enterprise with Nishikawa & Partners (Sidley Austin Nishikawa Foreign Law Joint Enterprise since October 2007). Led by Tomoo Nishikawa, a prominent Japanese lawyer (bengoshi) and a former government policymaker who was actively involved in matters at the central government and at the Diet as a member of the House of Representatives, we offer clients the unique services of a Japanese team of bengoshi supported by the diverse skills of a global firm that represents major participants in the global markets. We have expertise in and focus on areas such as Lobbying/Regulatory Advice, Internal IP Litigation, and HR for Foreign Companies. We also have unique expertise in Pharmaceutical and Insurance industries. In the financing areas, we focus on Securitization, Structured Financing, and Real Estate Financing. http://nishikawa-sidley.com/

SMBC SUMITOMO MITSUI BANKING CORPORATION

Strong domestic business base, speed in implementing strategies, and sector-leading group companies are Sumitomo Mitsui Banking Corporation's strengths. We leverage these strengths to provide comprehensive financial services to our customers. Operating under the umbrella of Sumitomo Mitsui Financial Group, a holding company, SMBC and other member companies, such as Sumitomo Mitsui Card Company, Ltd., work as one to create new value for our customers.

We provide global services not just to our domestic customers but also to overseas Japanese and non-Japanese companies, sovereigns, and government agencies.

Building on our strong business platform in Japan, we are proactively developing business in Europe, the Americas, and East Asia, tailoring our products and services to meet local needs.

We will continue to develop and provide leading-edge products and services that answer our customers' increasingly diversified and sophisticated needs, wherever they may be, in order to remain their bank of choice. http://www.smbc.co.jp/global/index.html

Sumitomo Trust & Banking Co., Ltd.

The Sumitomo Trust & Banking Co., Ltd., (Sumitomo Trust) is a trust bank established in 1925. We currently have approximately 6,100 employees working in 63 domestic branches and eight overseas offices. Sumitomo Trust's management model is an indispensable financial institution providing the best client-oriented services that are full of diversity and creativity as an independent "asset management-oriented financial services provider group." Through the provision of such services, we aim to become an "essential partner" of our clients and society.

In August 2010, Sumitomo Trust reached a final agreement on the management integration with Chuo Mitsui Trust Group. We aim to take a worldwide leap as the new trust bank group "The Trust Bank," which "takes pride as Japan's leading trust bank group and boasts the largest scale and the highest status by combining banking, asset management and administration and real estate businesses," and will aim to move onto the global stage. http://www.sumitomotrust.co.jp/IR/company/index_en.html



Tokyo Stock Exchange Group, Inc., is the holding company of Tokyo Stock Exchange, Inc. (TSE), one of the leading global exchanges and the largest securities market in the Asia-Pacific region. The TSE is best known for its equities market, valued at US$3.5 trillion, and the number of listed companies exceeds 2,300 as of the end of September 2009.

In addition to its core Japanese equities market, the TSE provides markets for derivatives products such as Japanese government bond futures, TOPIX futures, TOPIX options, ETFs, and REITs. Not only market operation, the TSE group also offers clearing and settlement, market information distribution, and other related services.

The TSE group makes every effort to maintain abundant liquidity and a high level of integrity as well as provide market participants from Japan and overseas with attractive investment opportunities. www.tse.or.jp/english



UNISON CAPITAL

Unison Capital is pioneer of private equity investment in Japan, managed by a handful of seasoned Japan professionals with no ties to large corporate groups. We assist portfolio companies in devising strategies to enhance their long-term value, without falling prey to conflicts of interest.

Unison Capital has invested more than ¥700 billion of corporate value, accumulating in-depth experience and expertise in business management along the way. We have built a global network of financial institutions, non-financial firms, corporate managers, and a variety of professional services firms in Japan and abroad. We seek "growth with stable cash flow" as we work in unison with management and employees to help companies grow. http://www.unisoncap.com