SYMPOSIUM ON BUILDING THE
FINANCIAL SYSTEM OF THE 21ST CENTURY:
AN AGENDA FOR CHINA AND THE UNITED STATES

The Weill Center, Armonk, NY • SEPTEMBER 18-20, 2015

AGENDA *(AS OF 9/16/15)*

FRIDAY, SEPTEMBER 18

5:30 p.m. **RENAISSANCE GUESTS – BUS TO THE WEILL CENTER; MEET IN LOBBY OF RENAISSANCE AT 5:25PM**

6:00-6:30 p.m. COCKTAIL RECEPTION *Main Lobby*

6:35 p.m. GREETINGS AND INTRODUCTIONS *Dining Room*

- Hal Scott, Nomura Professor and Director, Program on International Financial Systems, Harvard Law School
- LU Mai, Secretary General, China Development Research Foundation (CDRF)

6:45-7:55 p.m. KEYNOTE ADDRESSES *Dining Room*

- J. Christopher Giancarlo, Commissioner, CFTC
- Guangyao ZHU, Vice Minister of Finance, People's Republic of China

7:55-9:45 p.m. DINNER *Dining Room*

9:45 p.m.-10:30 p.m. AFTER DINNER COCKTAILS *Main Lobby*

9:50 P.M. & 10:30 P.M. RENAISSANCE GUESTS – Buses back to hotel; meet in Main Lobby of Weill

SATURDAY, SEPTEMBER 19

7:00 A.M., 7:15A.M. & 7:35 A.M. RENAISSANCE GUESTS –Buses to the Weill Center

7:15-8:55 a.m. BREAKFAST *Dining Room*

Panelists, Reporters, and Facilitators please sit at reserved tables

8:00-8:55 a.m. KEYNOTE ADDRESSES *Dining Room*

- Nathan Sheets, Under Secretary for International Affairs, U.S. Department of the Treasury
- Yiming WANG, Vice President (Minister), Development Research Center of the State Council, P.R. China

8:55-9:55 a.m. PANEL DISCUSSION *Dining Room*

Capital Markets: Access and Volatility

- James Angel, Associate Professor of Finance, McDonough School of Business, Georgetown University
- Jamil Nazarali, Head of Citadel Execution Services, Citadel Securities
- Liang CHEN, Executive President and Secretary, China Association of Social Impact Investment; Founding Partner& CEO, KnQuant & Jiuding Investment Management Co., Ltd
- Zongsheng CHEN, Professor of Nankai University, Dean of China Fortune Economic Research College

Moderator: Hal Scott, Nomura Professor and Director, Program on International Financial Systems, Harvard Law School

9:55-11:00 a.m. SMALL GROUP SESSIONS

GROUP	ROOM	FACILITATORS	REPORTER
1	Room H	Frank Newman, GE Jun	Bill Grimes, YU Jiantuo
2	Room J	Brian Kelly, XU Dongliang	Marsha Vande Berg
3	Room F	Fangfang Chen, ZHANG Zhizhou	Dino Kos
4	Dining Room 2	Linda Zhang, NIU Candice	Hamilton Lin
5	Conf Room A	Mark Slaughter	James Shipton
6	Conf Room B	Satoru Murase, WANG Wen	Fabiana Fedeli
7	Dining Room 1	Merit Janow, CHENG Yan	Elaine LaRoche

11:00-11:15 a.m. REFRESHMENT BREAK

11:15-11:50 a.m. PANEL SESSION *Room H*

The Bi-lateral Investment Treaty and New Financial Architecture: Evolving Roles for China and the U.S.

- Chenghui ZHANG, Director-General, Institute of Finance, Development Research Center of the State Council
- Sean Tully, Senior Managing Director of Financial & OTC, CME Group Inc.

11:55-1:00 p.m. SMALL GROUP SESSIONS

GROUP	ROOM	FACILITATORS	REPORTER
1	Room H	Allen Ferrell, GE Jun	Bill Grimes, YU Jiantuo
2	Room J	Nick Lardy, XU Dongliang	Marsha Vande Berg
3	Room F	Paul Sheard, ZHANG Zhizhou	Dino Kos
4	Dining Room 2	David Loevinger, NIU Candice	Hamilton Lin
5	Conf Room A	Jim Walsh	James Shipton
6	Conf Room B	Kathyanne Cohen, WANG Wen	Fabiana Fedeli
7	Dining Room 1	Bill Overholt, CHENG Yan	Elaine LaRoche

1:00-2:30 p.m. LUNCHEON AND KEYNOTE ADDRESS *Dining Room*

- John Williams, President and CEO, Federal Reserve Bank of San Francisco

2:35-4:00 p.m. PLENARY PANEL SESSION *Room H*

Current Issues in the Regulation of Financial Institutions

- Diane Ellis, Director, Division of Insurance and Research, FDIC
- Minghua GONG, Editor-in-Chief of China Rural Finance, China Banking Regulatory Commission (CBRC)
- Ning WANG, Assistant General Manager, CreditEase

Moderator: Hal S. Scott, Nomura Professor, International Financial Systems, Harvard Law School

4:00-6:30 p.m. FREE TIME/ REPORTERS MEETING *Room F*

4:05 P.M. RENAISSANCE GUESTS **–** Bus back to hotel; meet in Main Lobby of Weil Center

4:05 P.M. Optional Excursion: Bus to the Westchester Mall. Bus will depart the mall at 6:15p.m. to return to the Weill Center by 6:30 p.m. This bus will not go back to the Renaissance Hotel.

6:10 p.m. RENAISSANCE GUESTS – BUS TO THE WEILL CENTER; MEET IN LOBBY OF RENAISSANCE AT 6:05PM

6:30-7:00 p.m. COCKTAIL RECEPTION *Main Lobby*

7:10-8:10 p.m. KEYNOTE ADDRESSES *Dining Room*

- Youan CHEN, Chairman, China Galaxy Financial Holding Company Ltd and China Galaxy Securities Co., Ltd
- Stephen Bird, CEO of Consumer Products, Citi

8:10-9:45 p.m. DINNER *Dining Room*

9:45 p.m.-10:30 p.m. AFTER DINNER COCKTAILS *Main Lobby*

9:50 P.M. & 10:30 P.M. RENAISSANCE GUESTS – Buses back to hotel

SUNDAY, SEPTEMBER 20

**Please check-out of your room before the Sunday sessions. Luggage will be stored in the front lobby of the Weill Center.*

7:00 A.M., 7:15A.M. & 7:40 P.M. RENAISSANCE GUESTS –Buses to the Weill Center

7:20-8:15 a.m. BREAKFAST BUFFET *Dining Room*
Panelists and Reporters please sit at reserved tables

8:20a.m. KEYNOTE ADDRESS *Room H*

- Changwen ZHAO, Director General, Research Department of Industrial Economy, Development Research Center (DRC) of the State Council

8:50-10:00 a.m. PRESENTATION AND DISCUSSION *Room H*

The Bi-lateral Investment Treaty and New Financial Architecture: Evolving Roles for China and the U.S.

- Simon Gleave, Regional Head of Financial Services, KPMG Asia Pacific
- Jesse WANG, Chairman, Beijing Dalio Public Welfare Foundation, Board member of China National Social Security Foundation

10:00-10:15 a.m. REFRESHMENT BREAK

10:15-11:15 p.m. PRESENTATION & DISCUSSION *Room H*

Capital Markets: Volatility, Access and Development

- Charles Scully, Managing Director, Chief Investment Officer Asia, MetLife Investments Asia Limited
- Jianguang SHEN, Managing Director and Chief Economist of Mizuho Securities Asia Limited

11:15-12:15 a.m. PLENARY SESSION *Room H*

The Impact of Cross-border Mergers & Acquisitions on the Economies of China and the U.S.

- CHENG Manjiang, Chief Economist of BOCI, CEO of BOCI Research Limited
- Mark Slaughter, Asia-Pacific Head of Corporate and Investment Banking, CitiGroup
- Moderator: Jie SUN, Honorary Chairman, China Venture Capital and Private Equity Association

12:20-1:10 p.m. CLOSING BUFFET LUNCH *Dining Room*



Harvard Law School
Program on International Financial Systems

China Development Research Foundation



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

An Agenda for Europe and the United States

Armonk, NY • September 18 - 20, 2015



Final Report

Sponsored in part by:

KPMG

Symposium Final Report

The twelfth annual China-U.S. Symposium was held at the Weill Center in Armonk, NY. Sessions addressed issues of access and volatility in capital markets, prospects for a bilateral investment treaty (BIT) between China and the US, evolving roles for the two countries in the emerging international financial architecture, current issues in the regulation of financial institutions, and cross-border mergers and acquisitions.

Topic 1

The Bilateral Investment Treaty and New Financial Architecture: Evolving Roles for China and the U.S.

Session 1 addressed the proposed China-US Bilateral Investment Treaty and other aspects of China's role in the international financial architecture. There was considerable enthusiasm for the BIT in principle, although participants acknowledged that there would be challenges to surmount in completing the negotiations, including Chinese concerns over US national security screening of investments and US concerns over intellectual property rights and the length of China's negative list. With regard to international financial architecture, participants discussed implications of the new Asian Infrastructure Investment Bank (AIIB) and of the recent changes to China's exchange rate regime.

BIT: RATIONALE AND ELEMENTS

Participants saw many benefits for concluding a BIT between China and the US. One was the opportunity to more closely integrate the two economies, which would improve economic opportunities for firms and consumers in both countries. Politically, a BIT could reduce misunderstandings and tensions by providing a clear and mutually agreed framework for cross-border investment. Some also argued that a high-quality BIT would create a template for future Chinese investment treaties, as earlier ones had been far less ambitious.

Many participants felt that a successful BIT would have particularly beneficial effects for China. They observed that a number of sectors,

particularly services, remained uncompetitive, overregulated, or dominated by monopolistic state-owned enterprises (SOEs). They expressed the hope that a high-standards BIT be a catalyst for China's domestic reform agenda by helping to expose those sectors to competition and thus improve performance and productivity. Some drew the analogy to China's entry into the WTO in 2001, which had used an external agreement to lock in key reforms.

Negotiators were seen as having come to a basic agreement on the key elements of the BIT, including the principles of national treatment for foreign investments during both the pre-establishment and post-establishment phases, and the use of a negative list, in addition to much of the text. Some participants expressed hope that agreement could be reached in 2016; most, however, felt that there was still a long way to go before the BIT could be concluded.

Participants saw two major substantive obstacles to concluding the BIT. First was the negative list. Although it was seen as significant that this was the first BIT negotiation in which China had agreed to a negative list, US negotiators considered it to be too long, and to exclude US firms from a number of sectors in which they could be competitive in China. These included, among others, media, retail, and distribution services. In addition to concerns over the length and content of the negative list, participants pointed to other issues that remained of concern—in particular, protection of intellectual property rights, data security, and government access to source code for some types of firms and financial institutions.

Finally, many participants agreed that politics in the US would complicate BIT negotiations and weaken the prospects for ratification. They pointed to statements by a variety of political leaders that demonstrated suspicion of foreign trade and investment in general, and of China in particular. However, participants agreed that Chinese and US negotiators should continue to seek common ground, with the goal not only of concluding a mutually attractive agreement but also of contributing to economic cooperation more broadly.

POLITICS OF CHINA-US BIT

Participants identified several issues as being important to the present and future of the BIT negotiations. One had to do with the changing dynamics of cross-border FDI between China and the US. For many years, bilateral FDI had been primarily one-way, with US firms entering China to service both local and global markets, but with very little Chinese FDI into the US. In recent years, however, that pattern had changed, and now Chinese FDI into the US has come to exceed US FDI into China; this reflected a broader trend in which China had become a major global player in foreign direct investment. This shift, it was argued, made Chinese policymakers more eager to stabilize the overseas investment environment for Chinese firms. One important way to do so would be through investment treaties—not only concluding new ones with key markets such as the US, but also improving on China's existing BITs in order to expand access for Chinese firms.

Many participants observed that, despite agreement in principle on the desirability of improving access to each other's markets and reducing uncertainty and red tape in making investments, US and Chinese firms and policymakers had quite different goals for the BIT. While US firms focused on opening more Chinese economic sectors to foreign investment and on preserving their intellectual property rights, data security, proprietary information (including source code), and trade secrets, Chinese firms had other priorities.

There was some discussion as to the reason for the length of China's negative list. Some participants argued that it was wrong to think of China as being "protectionist" and closed; rather, they felt that Chinese authorities were just trying to strengthen weak sectors before opening them up. They therefore recommended that the US should offer longer phase-in periods for those sectors, in recognition of that motivation. Other participants did not consider infant industry protection to be a valid justification for keeping out foreign competitors. They argued that the US would be even more unwise not to push their Chinese counterparts if indeed the Chinese protection was building up local firms so that they could compete better against US firms.

Participants also considered other explanations for why China's negative list was so long. Some argued that it was a proxy for the lack of a formal national security review process for foreign investors. Others countered that the passage in July 2015 of a new national security review law undercut that claim. They also argued that many of the restricted sectors in China had little or no connection to national security. As an alternative hypothesis, some pointed to the prevalence of SOEs in some of the protected sectors, and argued that the state was representing the interests of the SOEs rather than national security. This claim was also disputed, as a number of participants rejected the idea that the Chinese government treated SOEs differently from private enterprises.

One of the most strongly expressed of the Chinese priorities was the desire to reform the process by which investments by foreign firms were reviewed for their national security impact by the Committee on Foreign Investment in the United States (CFIUS). This has been a major theme in every one of the US-China Symposia. Many participants pointed to ongoing complaints by Chinese firms that the process was non-transparent and unfair, and argued that this had a chilling effect on Chinese firms that were interested in investing in the US. In particular, concerns were raised that Chinese companies would be restricted—or at least deterred—from acquiring high-tech firms, which would be a major goal of many Chinese firms seeking to invest in the US. While acknowledging that it was legitimate to restrict investments that could harm national security, a number of participants argued that the law was so vaguely worded as to make it impossible to know whether a given investment would run afoul of it; moreover, the secrecy of the legal process and the fact that judgments were not made public increased the sense of uncertainty among potential investors.

Not all participants agreed with this assessment, however. They pointed out that very few investments were even reviewed by CFIUS, and that even fewer of those were prohibited or modified. Thus, they argued, CFIUS should not have much effect on Chinese firms' investment decisions in the US. With regard to the issue of non-transparency, they acknowledged that secrecy rules created an air of mystery around CFIUS, but insisted that it was a highly legalistic—and thus non-political—process. Moreover, even though judgments and case law were not published due to national security considerations, they argued that Chinese or other foreign firms could get an accurate sense of whether a particular investment would run afoul of CFIUS by consulting with attorneys in the CFIUS bar. Thus, while some participants saw reform of CFIUS as a worthy goal of the BIT negotiators (although formally, CFIUS revision itself would be outside the ambit of the BIT and would require Congressional action to change the law), others argued that it was not a serious barrier to Chinese investment. Finally, several participants cautioned that reopening CFIUS was likely to be counterproductive. Looking at the increasingly hostile mood in the US and in the Congress to foreign (especially Chinese) investment, they predicted that a

revision of CFIUS would likely make the law more restrictive than the current one.

A second set of issues that was seen as being of particular concern to Chinese firms was the effect of US domestic regulations, including state-level regulations. Some participants argued that, while the US regime for inward investment was quite open at the federal level, state regulations often served as barriers to foreign investment—as one put it, "the big doors are open, but the little doors are closed." This was not an issue of states seeking to deter Chinese investment—indeed many states and cities sought to encourage foreign investment from all sources; rather, it arose from the multilayered legal and regulatory system in the US. Some federal-level regulations were seen as problematic as well. In this regard, a number of participants referred to the difficulties of gaining a bank license for fully or partially state-owned Chinese financial institutions. While some participants expressed the hope that these issues could be managed through the BIT, others cautioned that this would be impossible, given the realities of federalism and of autonomous regulatory bodies.

One question that arose was whether the US was willing to offer a real quid pro quo to China in order to conclude the BIT. A number of participants argued that the US had strong demands for a shorter negative list and better protections for US firms in China, but that it was offering very little in return. Revision of CFIUS did not appear to be under discussion at all, nor was domestic regulation on the table. Thus, they asked how the US could show sincerity. One suggestion was to allow for longer phase-in periods for liberalization of sectors that were currently on China's negative list and this indeed appeared to be a subject of the negotiations. Others questioned whether there was actually a need for the US to demonstrate sincerity, arguing that the real political frictions weren't between the US and China, but between reformers and representatives of protected sectors within China. If the China-US BIT were to drive change in the Chinese economy the way that WTO accession had, then perhaps more compromises by US negotiators would not be helpful in achieving the promise of the BIT.

FINANCIAL ARCHITECTURE

While most of the discussion in Session 1 focused on the BIT, participants also addressed the roles of China and the US in the international financial architecture. In particular, there was considerable discussion of the international financial institutions (IFIs), such as the International Monetary Fund and World Bank, as well as the new AIIB.

One question raised by participants was whether the IFIs reflected the current and future global financial order. Many observed that the IFIs had been created in the wake of World War Two, at a time when the US and Europe were the pillars of the global economy and financial system. As a result, their governance structures, voting shares, priorities, and procedures were seen as giving too much power to the established powers (especially Europe, whose quotas in the IFIs considerably exceeded their current weight in the world economy) and not enough to emerging economies like China and other countries in Asia. The regional multilateral development banks, like the Asian Development Bank, were created later, but were seen as similar in reflecting the economic power structure of a bygone era.

With the new global economic realities, however, many participants argued that China and the US should be the key pillars of the new financial architecture, and that the IFIs should be open to new approaches to managing the world economy that took account of the developmental experiences and importance of

China. There was widespread agreement that China's role in the IFIs should be significantly expanded in order to reflect the new realities and to give China greater voice in the system. Many participants also expressed the hope and expectation that the RMB would be included in the IMF's SDR basket, which they saw as further validating China's place in the global financial order and recognizing its financial development.

There was considerable frustration among participants with the way that the US was handling its leadership role in the IFIs, in particular the unwillingness of Congress to ratify the IMF capital increase. This had the dual effect of limiting the IMF's ability to manage global crises and of preventing the proposed quota reform (which would significantly raise China's quota, while lowering the quotas of several European economies) from going into effect. A number of participants stated that it was the failure of the US to accommodate China's desire to play a larger role in the IFIs that led to China's decision to establish of the AIIB. Moreover, they argued that the Obama administration's overt hostility to the AIIB had not only aggravated the frustration felt by Chinese policymakers but had also undermined the global stature of the US. Some participants expressed optimism that the US Congress might finally move forward with approving the already-agreed quota reform and capital increase in return for an IMF pledge not to make use of the systemic exemption to its lending rules. In other words, they saw opposition to quota reform as grounded more in concerns about the IMF use of resources than hostility to an increased role for China or other emerging economies. Nonetheless, the AIIB was there to stay—and most agreed that the damage to US credibility had been done.

With regard to the AIIB, although many US commentators and policymakers had denounced it as an attack on the global financial architecture and US leadership, most participants disagreed. Many argued that China was committed to continuing to support the global financial and trading system that had enabled its rapid economic development. They expressed the hope that, in the aftermath of the failed attempt to weaken the AIIB as it was being created, the US government would recognize China's desire to support and strengthen the current system, and shift its policies back toward supporting China's aspirations.

Many participants were in fact optimistic that the AIIB would strengthen the global financial system rather than challenge it. They pointed to the bank's governance system and stated commitment to best practices on governance, transparency, and environment ("lean, clean, and green"). Most important, they emphasized the consonance of interests between the AIIB, World Bank, and Asian Development Bank in supporting the enormous needs of the region and the world for infrastructure investment. Rather than competing with the other multilateral development banks, they expected that AIIB would cooperate with them and perhaps help to develop new models of infrastructure lending. In partial contrast, some participants noted that it was still unclear how AIIB would operate, and raised the possibility that it would favor Chinese interests and Chinese firms. They also suggested that US pressure may have contributed to the commitment to best practices. But they too agreed that there was considerable potential for China and the AIIB to make a significant contribution to regional and global development, and to become an integral part of the global financial architecture.

EXCHANGE RATE AND THE RMB

Finally, there was some discussion in Session 1 of China's exchange rate and the value of the RMB. There was a consensus that China was indeed moving toward a more market-based exchange rate regime, in contrast to the concerns among some politicians and commentators in the US and Europe that the change in the system of setting the daily fix in August had been a step toward competitive devaluation of the RMB. Most participants expressed approval of the move as one more step toward capital account and financial market liberalization. They observed that it may also have been related to China's ambition to have the RMB join the SDR basket.

In any event, many participants argued, the question was not whether China was undervaluing the RMB, but rather how far it was overvalued. They pointed out that on a real effective exchange rate basis, the RMB had actually strengthened considerably in recent years (and even more so over the last year, due to its relatively close relationship with the appreciating US dollar). Meanwhile, foreign investors' appetite for Chinese assets was dropping, as China's economic growth slowed. According to many measures, therefore, the RMB was actually overvalued. Many participants predicted that further weakening was likely, as inward investment weakened and outward investment picked up steam. They saw the likelihood of depreciation as a positive trend, as they felt the strong RMB had had a negative impact on China's attractiveness as an FDI destination. Indeed, several emphasized that rebalancing the RMB would be more important for encouraging inward investment than negotiating BITs.

Topic 2

Capital Markets: Access and Volatility

In Session 2, participants discussed the role of volatility in capital markets and how regulators should respond to it. Much of the discussion focused on the steep Chinese stock market decline of the previous summer, including the reasons for the collapse and the appropriateness of the response of regulators and political leaders.

VOLATILITY

Participants recognized that volatility was a natural feature of capital markets, reflecting the forward-looking nature of asset prices. In a well-functioning market, it was agreed, prices should move in response to new information, changes in investors' risk appetite, and economic environment. While high levels of volatility of certain assets might make them less attractive to some investors, most participants agreed that this was not in and of itself a problem.

Participants did flag three potential concerns raised by market volatility. The first was that high volatility could reflect structural problems within a market, especially concerns about informational asymmetries or uncertainty, unequal access, poor regulation, or lack of liquidity. Problems of information were seen by many participants as a particular concern: for example, lack of information could make any news seem more consequential to investors and thus move prices more than the news might warrant, or doubts about the quality or completeness of information about companies' performance or economic conditions could increase herd behavior or attention to rumors. A second concern that was raised by some participants was that in less developed capital markets, volatility could be understood by investors as a loss of government control over the economy—while this might be a good thing for markets in the long run, loss of confidence in government competence could also lead to dramatic sell-offs.. It was noted that, although "volatility" was often posed as a problem by policymakers and the media, in fact concerns about volatility were nearly always raised when asset prices were on the way down, rather than rising. Third, some participants worried about the possibility that momentum trading could hurt price formation.

There was some disagreement about whether and how volatility should be regulated. Some participants were skeptical of any attempts to regulate volatility, arguing that it would retard market development, deter investors, and

weaken the capital markets' role in price formation and capital allocation. Others argued that, for some of the reasons already noted, volatility could have negative effects on investors and the longer term performance of markets, so some type of regulation was in order. Some of these participants supported the use of circuit breakers ("limit-up, limit-down") to temporarily suspend trading when prices of a particular security moved beyond a defined wide band, as a means of forcing investors to stop and think before selling or buying a security due to panic or herd mentality. Others argued that circuit breakers would actually increase volatility, as investors might feel pressure to sell when a security was selling close to its lower bound so as to remain liquid. Also, it was noted that there may be cases in which a security should properly drop far below or rise far above its trading band—for example, news of a major problem or achievement. Meanwhile, a number of participants argued in favor of expanding hedging instruments as a market-based measure to reduce volatility. More hedging instruments could reduce incentives to liquidate equity positions in the midst of a sell-off, and they could also reduce the impact of market volatility even if they did not eliminate or reduce it. Others worried that expanding hedging instruments such as options, swaps, and futures would lead to more opportunities for investors to take large bets and thus potentially to more volatility rather than less. They also cautioned that giving inexperienced investors access to such instruments could be particularly dangerous.

In discussing market volatility in China, participants focused on a set of structural factors. First, they expressed concerns about disclosure and transparency. Although the quality of information in the market was seen as much better than in the past, many participants felt that corporate disclosure was still lacking in timeliness, accuracy, and comparability. They urged Chinese policymakers to continue to make improvements in disclosure and accounting rules in order to address this issue.

Second, many participants highlighted the characteristics of Chinese investors. They noted that about two-thirds of shareholding and trading in Chinese equity markets was accounted for by retail investors, as opposed to only a third of shareholding and a much lower share of trading in US equity markets. Retail investors in general were seen by many participants as more susceptible to momentum trading given that they had less information and knowledge of markets than institutional investors; in China, many argued that this effect was compounded by the inexperience of many retail investors—for example, some participants told stories about peasants farming in the evening because they were managing their accounts during the day.

Third, participants identified leverage as an accelerant to volatility in the Chinese capital markets. Large-scale borrowing by investors had helped to fuel the stock bubble, as rising prices allowed investors to borrow more on their collateral, which they in turn used to buy more stocks. When prices started to fall, margin calls and the need to pay back loans forced investors to sell at whatever price they could get, leading them to sell into the declining markets. Compounding the problem was the observation that not only had investors' use of leverage to fund stock market investment increased markedly during the run-up of equity prices, but also that China's large shadow banking sector had been responsible for perhaps the bulk of leverage to shareholders. Thus, there was a problem of excessive leverage in the capital markets. Moreover, the widespread use of shadow banking as a source of leverage also meant that regulators, with less information about shadow banking activities, lacked crucial information for evaluating potential for systemic risk.

Finally, some participants raised questions about China's system of trading limits that suspended trading when the price moved up or down by ten percent in one day. While the limits were put in place to prevent excessive volatility and momentum trading, these participants argued that the trading limits, in combination with excessive leverage, actually exacerbated the problem. They pointed out that investors who were subject to margin calls on a security whose trading had been suspended would be forced to sell a different security to come up with funds. In the aggregate, this could lead to contagion across securities, and compound market swings.

CHINA'S EQUITY BUBBLE

Much of the discussion in Session 2 focused on recent experiences of China's capital markets, which had experienced a rapid run-up in asset prices starting in fall 2014, only to see a steep decline over the summer of 2015. Despite the focus of media on the issue of volatility over the summer, many participants argued that the real problem was the bursting of an asset bubble, not volatility per se. The fact that stock prices had more than doubled in the space of eight months had made it inevitable that there would be a sharp decline and that volatility would increase as market participants struggled to find the correct prices for assets.

These participants saw a classic credit-driven bubble. Investment into the equity markets was driven by leverage in the form of margin lending, often through shadow banking mechanisms whose systemic implications were not clearly understood by regulators or investors as a whole. The equity bubble was compounded by several characteristics of the Chinese financial markets. One of these was the predominance of inexperienced retail investors, who engaged in momentum trading in an effort to get in on the rising market before it was too late. Also, a number of participants pointed to the lack of good investment alternatives. Real estate markets were cooling or in decline, bank deposit rates remained low, and bond markets remained relatively underdeveloped. Finally, several participants made the point that easy availability of technology and social media may have exacerbated both the rise of the bubble and the run for the exits once prices started to drop. One aspect of this was the ease of trading electronically and of receiving market news, even in remote regions of the country. Meanwhile, social media facilitated the transmission of market rumors, and may have added to a herd mentality on the part of retail investors.

ROLE OF REGULATORS

There was considerable discussion of the role of regulators in the bubble and its bursting. Participants expressed the hope that the experience would offer lessons for how to better manage, and if possible prevent, future recurrences.

There were several opinions voiced about the role of regulators during the period when stock prices were rising rapidly. One takeaway for many participants was the importance of more proactive monitoring of risk. It was widely agreed that regulators had underestimated the extent of leverage in the system, which had left them surprised by the speed of the unwinding in the stock market. Several participants observed that regulators needed both better means of monitoring activity in the shadow banking sector and better methods for understanding that activity in a systemic risk framework. Some attributed the difficulty of monitoring leverage in the system to a lack of communication among regulators across the CSRC, CBRC, and PBOC, as formal and informal credit markets

had interacted in unfamiliar ways with equity investment. Thus, one potential lesson would be to improve information-sharing among them, as well as to improve methods of macroprudential supervision. Some participants also raised concerns about the role of official actors, including the media, in promoting excessive exuberance among investors. This was not seen as entirely surprising, as bubbles in many countries were supported by politicians and policymakers who tended to receive praise from citizens when the market was on the rise.

Moving beyond the creation of the bubble, there was also considerable discussion of how the authorities dealt with the steep decline of the stock market over the summer. Participants discussed both formal and informal responses, and considered the actions of both regulators and political authorities. While there was some strong criticism of the authorities for having intervened as they did, many participants made the case that intervention in financial crises is very common, even in the US and other developed countries. However, there were still serious concerns about some of the ways in which the authorities had intervened.

Chinese authorities carried out a variety of formal interventions, including suspensions of trading, a ban on short-selling, suspension of new IPOs, and the injection of public money. Of these, there were mixed opinions on the restrictions on trading—some participants saw them as potentially stabilizing a very turbulent situation, while others felt that they contributed to the need for many leveraged investors to unwind their holdings more quickly than they might have otherwise—but participants appreciated the fact that they were imposed uniformly and transparently under the existing legal framework. Injection of public funds also aroused mixed opinions. Many were critical of what they saw as blatant market manipulation, and some warned that such actions could become addictive, as with Japan's "price-keeping operations" of the 1990s. Others noted that such injections were actually relatively common and expressed the opinion that they could be helpful in stabilizing prices and reducing investors' fears. They felt that such short-term stabilization efforts could be particularly important in China's relatively underdeveloped financial market dominated by retail investors, although they too were wary of the potential for long-term dependence on public money to prop up stock prices.

There were also a number of informal interventions, including directives to broker-dealers to "join the national team" by purchasing stock. Similarly, some participants (along with the foreign media) reported cases in which regulators privately pressured directors and officers of financial institutions, SOEs, and even some private firms to buy A-shares in their companies. Authorities also opened investigations of a variety of financial institutions, investors, and even regulators; while many of them may have been engaged in questionable practices, the timing of the investigations was seen by some participants as meant to intimidate sellers. A number of participants also commented on the arrest and self-criticism of a Caixin financial reporter, which they saw as scapegoating. Most participants agreed that these actions were problematic for the development of China's financial system and some questioned whether foreign investors would feel safe doing business inside China if they feared that they might be forced to purchase depreciating securities or even be arrested.

Finally, even those participants who expressed support or understanding for the actions of regulators and other authorities agreed that the response to the decline in stock prices was not effectively communicated to the public or to financial institutions. While the lack of transparency was most symbolized by the arrest of the Caixin journalist who was reporting on

the government's response to the decline, many participants expressed equal concern that regulators did not explain either what they were doing or their rationale for their actions. They urged the Chinese government and regulators to learn from this experience and communicate more effectively in the future, in order to reduce panicked reactions from investors and the general public.

In the absence of effective communication, investors and observers were left to their own devices in seeking to understand why the authorities intervened. One possible reason was fears over the potential systemic effects of the steep decline in stock prices. While previous booms and busts had had little effect on the real economy, a number of participants argued that the 2015 case was different because it driven by excessive leverage. As a result, there was a legitimate fear that losses in the stock market would reverberate through the economy not only due to wealth effects, but also through the credit channel. Widespread and rapid deleveraging would reduce credit throughout the economy and also put some banks in jeopardy. Thus, they argued, it was appropriate for the authorities to vigorously address the issue quickly, even if not all of the actual interventions were wise.

Some participants also put forward a political explanation, based on the social impact of the steep stock market decline. Many small-scale retail investors had entered the market (in many cases, toward the end of the rise in prices) and lost significant portions of their savings. This was seen as a potentially serious social issue, which could become a political issue if these investors blamed the government for their losses. Thus, some participants defended the interventions as a second-best form of protection for retail investors who, as noted above, dominated the market. Another perspective argued that putting a temporary floor under the market would actually be a positive move for China's equity markets over the long term, as it would prevent the public from losing confidence in the markets and withdrawing from them all together.

CONSEQUENCES

Participants expressed a variety of views about the consequences of China's equity market decline and authorities' responses. For a number of participants, the interventions had some important positive effects. In particular, by finding a floor and at least temporarily stabilizing markets, they argued that the interventions had ended the most urgent phase following the bursting of the bubble. This allowed regulators, investors, and financial institutions to make more considered decisions as to how to address market failures and the pricing of assets, rather than doing so under threat of crisis. Some felt that the authorities also had foreign audiences in mind in their efforts to stabilize markets—they observed that overseas effects, declines in developed country markets in particular, had come as a shock to regulators, who had assumed that the relatively closed nature of Chinese financial markets would prevent transmission to the rest of the world. (The reason for decline in foreign markets appeared to be due to overseas investors' concerns about China's real economy rather than due to interconnectedness of financial markets, according to many participants.)

In contrast, other participants were more negative in their assessment of the responses. They worried in particular about the long-term effects. One of these was what they saw as the likelihood of retail investors losing confidence in markets after having seen their paper profits disappear so quickly. They also worried about loss of confidence in the regulators, by both retail and professional investors. Foreign

investors, who could choose to allocate their investments globally, might be particularly wary of a market where investigations or informal directives to buy a given asset were seen as a threat.

Similarly, a number of participants expressed concerns about the long-term effects on incentives that might result. Some argued that the authorities' efforts to prop up prices in the midst of the market disarray might create moral hazard, by giving investors the confidence that their losses would be contained. It could also put more pressure on authorities to intervene in the future, since investors would be expecting it. There was considerable concern about the impact on the behavior of journalists and market intermediaries in the future—in this respect, the investigations and arrests that occurred in the heat of the fall in stock prices were seen as likely to hurt markets by reducing the quality of information and sense of fiduciary responsibility among some market participants.

Looking forward, participants discussed how to rebuild the credibility of markets and regulators. Overall, many participants took the events of the summer as a call for capacity building on the part of regulators and markets. One important lesson was the need for internal coordination—not only among regulators, but also between regulators and the government—in order to ensure consistent signaling. A number of participants argued that the actions of regulators had for the most part been consistent with their responsibilities and their stated objectives, but that the more heavy-handed interventions by other official actors had hurt that image.

Although there were many opinions about the government's actions over the summer, one clear point of consensus among participants was about the need for greater transparency. Participants argued that even controversial interventions as the injection of public money could have been managed more effectively by providing market participants with clarity about objectives, tools, and timetable. Clarifying that the interventions would be temporary and aimed at allowing leveraged investors to unwind their positions would have gone a long way, they argued, toward reassuring both domestic and foreign investors.

One issue that appeared repeatedly during the discussion in Session 2 was the prevalence of inexperienced retail investors in the Chinese equity markets. Participants agreed that there was an urgent need for better financial education, both by regulators and by financial institutions. Several participants also argued that this made very clear the need to build up better investment options for households, such as investment trusts like mutual funds.

Finally, there was a strong consensus that the occurrence and bursting of a financial bubble should not be a reason to slow or suspend the financial reform agenda. Rather, they saw it as a reason to strengthen the commitment to building better, more market-oriented, and more robust markets, with high-quality supervision and high standards for disclosure and transparency.

Topic 3

Current Issues in the Regulation of Financial Institutions

In Session 3, participants discussed a variety of regulatory issues in the Chinese and US financial systems, including the introduction of deposit insurance in China, regulation of shadow banking, internet banking, and cross-border cooperation. While there was general optimism about the stability of the banking system, participants raised concerns about overregulation in the U.S., as well as whether regulatory frameworks were equipped to deal with the challenges of technological innovation in finance including the rise of internet banking and peer-to-peer financing.

DEPOSIT INSURANCE

Participants identified the introduction of deposit insurance in March 2015 as an important milestone in Chinese financial development. They expressed the expectation that it would be an advanced and sophisticated system, despite its recent origins. Most importantly, deposit insurance would become an essential part of the financial safety net, and would work hand in hand with China's move to market-based interest rate determination.

The impact was seen as two-fold. First, over time it would make it easier for authorities to close insolvent banks, allowing market discipline to lead to better business practices and greater efficiency in the banking sector. Given the history of state ownership and bailouts in the Chinese banking sector, rolling back the implicit full guarantee on deposits was seen as a very important step.

Second, participants noted that the introduction of deposit insurance was also a key element of the overall effort to liberalize interest rates. Particularly with the effective liberalization of deposit rates and the likelihood of increased competition for business, it was expected that some banks would become more vulnerable to failure. Deposit insurance could help to prevent

runs on banks, thus improving the stability of the system, even while allowing weak banks to fail.

Some participants argued that a key test of the impact deposit insurance would be whether supervisors would actually allow insolvent banks to actually fail. With the run-up in debt as well as the slowdown of growth in China, they felt that bank failures might well be a possibility. Particularly for small banks, participants felt that managing an insolvency should be relatively straightforward, given that ninety percent of deposits would be covered by insurance. A number of participants felt that allowing banks to go under could improve efficiency in the banking sector and perhaps lead to better allocation of resources. On the other hand, there were some participants who wondered whether supervisors would instead worry about signaling to markets that the banking sector was weak.

It was also noted that the introduction of deposit insurance was a successful example of international cooperation. Chinese authorities did an extensive study of deposit insurance schemes around the world, including with the FDIC, and its system will follow international standards. The introduction of deposit insurance in March was the culmination of twenty-five years of discussions between the FDIC and various Chinese financial authorities, which had been particularly active since 2001 under a World Bank technical assistance package. These discussions were also useful as a confidence-building measure, as seen in 2009, when the California-based United Commercial Bank failed, requiring cooperation between FDIC and Chinese authorities. FDIC officials went to China to manage resolution issues in the bank's Chinese subsidiary, marking the first time the FDIC had sent personnel to a foreign country to resolve a bank.

BANK REGULATION AND REGULATORY BURDEN

While participants applauded the introduction of deposit insurance in China, some raised concerns about what they saw as the costs of overregulation in the US and globally. It was estimated that post-financial crisis capital standards for banks would require an additional $400 billion in capital for global banks. Some US participants raised the possibility that "goldplating" of global standards (including leverage ratio, GSIB surcharge, and possibly Total Loss-Absorbing Capital) by US regulators could significantly damage their international competitiveness.

Also in the US, the imposition of the Volcker Rule and resolution and recovery plans had forced significant changes in banks' business models and shifted bankers' attention away from business to complying with the new, stringent rules. Also, some participants raised concerns about what they saw as rising compliance and litigation costs resulting from enhanced regulatory scrutiny. On the bright side, there was the prospect of a more stable regulatory environment, now that the post-crisis regulatory efforts were mostly complete. In particular, some participants pointed to the introduction of resolution and recovery plans for bank holding companies as a positive development. While they characterized the process of planning and gaining approval as intense and time-consuming, it was seen as useful to have a "wiring diagram" of the firm and to do a top-to-bottom analysis not only of risk, but also of how different jurisdictions' bankruptcy rules would affect different units. In conjunction with the ongoing stress tests, they were seen as essential elements of macroprudential supervision. Others, however, expressed skepticism as to how effective "living wills" would really be if a complex multinational financial institution were to fail.

Although the reforms appeared to have made the banking system less vulnerable to crisis, some participants raised concerns about the effects of enhanced regulation in the US and Europe on the financial system as a whole. One concern was over market liquidity. While regulators appeared to remain skeptical that the withdrawal of banks from market-making activities would leave less "cushion" in the system, traders were seen as more concerned about the potential for liquidity to evaporate in a crisis. Some saw this problem as having been exacerbated by fragmentation of global derivatives markets caused by G20-mandated requirements on reporting, clearing, and exchange-trading.

REGULATION OF SHADOW BANKING AND FINANCIAL INNOVATION

Globally, it was argued that the regulatory burden on banks was causing many transactions to shift to shadow banking, where regulations were less onerous. This was seen to raise important questions of what activities constituted systemic risk and how they might be regulated. The insurance industry had already been the major target of enhanced regulation, with the designation of some insurance firms as GSIFIs and significant new regulations imposed in many jurisdictions. While the asset management industry had escaped bank-like regulation in the most recent round of regulatory deliberations, some participants felt that the issue might well be revisited—albeit with a focus on specified activities, rather than on institutions based on size.

In the U.S., with most short-term, non-guaranteed financial debt now held outside the banking sector, the risk of runs outside the banking sector was seen by some participants as significant. This raised a challenge for the Fed, since it would have difficulty in serving as the lender of last resort to financial institutions not under its regulatory jurisdiction, due to a possible lack of information as to their activities or solvency. The question was thus raised as to whether that meant that the Fed should expand the perimeter of its authority. Participants expressed discomfort with the idea of regulating all financial institutions with run-able liabilities as if they were banks. One suggestion was to focus on regulating levered activities in the non-banking sector. Another was to restrict the extent of maturity transformation. Also, better exchanges of information could be provided by regulators of non-banks to central banks.

In China, concerns over regulation of shadow banking took a different form. Several participants argued that shadow banking and internet financing in China offered good alternatives for SMEs and households whose needs were not met by traditional banks, and thus their development should be encouraged. That raised the question of what appropriate regulation would look like; in particular, shadow banking practices called for comprehensive supervision, but this was seen as difficult given the divisions among banking, securities, and insurance regulators.

Participants agreed that China was experiencing rapid financial system development and innovation, much of it outside the banking system. Complicating matters further, many shadow banks were attached to banks, not always with clarity about whether the bank might be liable for a failure of the shadow bank. Moreover, the spread of internet banking, not all of it attached to brick-and-mortar banks, created new challenges for regulation. Although many felt that it was important to encourage such financial innovation, they also emphasized the need to improve the ability to measure and regulate its risks.

With regard to online banks, participants felt that they should follow the same regulations and risk management as regular banks. But online banks also faced additional risks, including cyber risks. Accounting and risk management would also be complicated by their 24/7 nature. Moreover, the limited nature of the relationship with customers may make runs more likely.

Participants felt that the Chinese government had been quite forward-looking in encouraging growth of internet banking. The emerging regulatory framework for online banking recognized that online banking could play an important role in providing finance for individuals and SMEs. In this respect, it was important that China had set up a unified regulatory system that clarified division of labor among regulators.

Financial technology in particular raised several regulatory issues. A number of participants noted that the spread of models such as peer-to-peer lending might actually be happening faster in China than US, as a result of gaps in the services available to households and small enterprises in the Chinese financial system. The growing interest in Bitcoin, peer-to-peer lending, and other models posed regulatory challenges of liquidity and monitoring. Digitization was seen as reducing service costs, increasing efficiency, and allowing for smaller loans, but also opening new issues of cybersecurity, compliance, and money-laundering. For online platforms, investors would need to understand more about the risks of the institutions so they could manage their own risk. Overall, the task of regulators would be to ensure good risk management, segregation of funds, and adherence to applicable laws.

Topic 4

Impact of Cross-Border Mergers & Acquisitions on the Economies of China and the U.S.

In Session 4, participants discussed the impact of cross-border mergers and acquisitions on the Chinese and US economies. Most of the focus was on Chinese investment, which was growing rapidly. Participants expected that Chinese firms would become increasingly active and confident in terms of outbound investment and cross-border M&A.

CHINESE OUTBOUND INVESTMENT

Behind the growth of Chinese cross-border M&A activity was the broader story of China having become a capital exporting economy. China outbound FDI had more than doubled between 2007 and 2015, although it was still only about a third that of the US. Naturally, cross-border M&A had been an element of that, including some very large deals. Participants did raise some questions about data—because much of Chinese outward M&A was being done by Chinese multinationals through their overseas branches, it would not show up in the Chinese statistics. Still, there was no question that it was growing rapidly.

Reflecting the growth of the Chinese economy, the number of Chinese companies among the global Fortune 500 had increased dramatically in recent years. Chinese firms had become major global players in many industries, including finance, energy, metals, mining, and telecommunications; thus, it was not seen as surprising that Chinese companies would have global ambitions. As one indicator of the growing reach and capability of Chinese multinationals, it was noted that major US M&A investment banks always included Chinese companies on the list of potential buyers for US assets.

Before 2011, Chinese outward M&A was highly regulated. And until that time, M&A was skewed toward mining; since then, it has become more diversified including financial

sector, manufacturing, and information technology. Famous examples included Geelee's takeover of Volvo and ICBC's purchase of East Asia Bank. IT, healthcare, infrastructure, and real estate were seen as particularly popular among Chinese investors in US. Real estate was not subject to a lot of regulations and restrictions in the US, and was thus seen as attractive. In services, an example was the purchase of the AMC movie theater chain. China outbound investment also increased in terms of tech firms, as China's outbound direct investment continued to move away from resource extraction. As a result, the US was for the first time becoming one of the biggest destinations for Chinese investment, although resource-oriented investment in Canada and Australia remained attractive to some Chinese firms.

Of course, not all Chinese M&A deals have been successful. In some cases, Chinese firms paid what appeared to be excessive prices. Participants did not expect acquisitions to boom overnight, as there remained many things for Chinese companies to learn about doing business in other countries. Another challenge for Chinese firms was how to develop the ability to take advantage of the strengths of their M&A targets to improve their business at home. This will be an important goal for many Chinese firms. Meanwhile, even though some cross-border M&A deals may be overpriced, some participants argued that many Chinese firms did not necessarily look at pricing in that way. They may instead look at strategic goals, such as creation of supplier chains or other synergies.

Chinese M&A was not seen as reflecting a particular national strategy, but rather the particular circumstances of firms. Many had experienced challenges, whether regulatory (approval by Chinese authorities or local regulations in destination countries) or business-related. Participants predicted a continued move away from resources toward brand names, reflecting slowing manufacturing growth in China and the need to gain brand recognition.

With regard to financing, Chinese multinationals typically did not source their funding at home; rather, they raised money locally or in other financial centers. In this respect, the growth of the major Chinese banks' branch networks around the world was seen as an important advantage in completing large-scale M&A deals. Their sheer size allowed them to take the lead on such deals. However, Chinese firms also made use of major global banks in many cases. And many Chinese firms were seen as able to raise money through equity and bond markets.

US CROSS-BORDER M&A

Traditionally, US firms favored the UK and Canada as destinations for M&A. This was not seen to have changed, nor had sectoral distribution. Meanwhile, in China, the major areas of growth for US firms were seen as consumer goods and health care, often to serve the Chinese market.

A number of participants questioned why US investment into China remained relatively low, given the size of the Chinese economy. There was not a clear explanation, but it was suggested that it was at least partly due to concerns about intellectual property rights and sectoral restrictions. It was pointed out, for example, that the strongest US firms tended to be in services, which remained largely closed in China. As noted in Session 1, US BIT negotiations were focused on improving conditions for US firms in those regards.

Finally, some participants suggested that one of the drivers behind US M&A in China was tax inversions. They cited several cases that had involved taking US-listed companies private and reorganizing them in China.

Appendix

Symposium Participants

Symposium Agenda

Symposium Participants

James Angel
Associate Professor of Finance, McDonough School of Business, Georgetown University

David Asher
Principal, Vital Financial LLC; Adjunct Senior Fellow, Economics and Security, Center for a New American Security

Qian BAI
Cohen Group

Robert Bestani
Professor, National Defense University

Stephen Bird
CEO of Global Consumer, Citi

Andrew Brown
Managing Director, Bank of America Merrill Lynch

Eden CAI
VP, Investment, Shanghai Municipal Investment Group, USA

Ming-Po CAI
Founder and President of Cathay Capital Private Equity

Steven Chan
Vice President & Head of Regulatory, Industry and Government Affairs, State Street Asia

Hung Kee Edward CHAN
Managing Director, Head of Institutional Sales, China Galaxy International Financial Holdings Ltd.

Howard Chao
Partner, Ivy Capital

Changsheng CHEN
Deputy Director-General, Research Department of Macro-economy, Development Research Center of the State Council, China

Fangfang CHEN
Senior Vice President, Chief Administrative Officer and Head of Strategy, Asia Pacific, State Street Asia Ltd.

Hong CHEN
Director of Risk Management, CIC

Liang CHEN
Executive President and Secretary, China Association of Social Impact Investment; Founding Partner& CEO, KnQuant & Jiuding Investment Management Co., Ltd

Peitao CHEN
Vice Chairman, ICBC US Management Committee; General Manager, ICBC New York Branch

Shixin CHEN
Executive Director for China, World Bank

Youan CHEN
Chairman of the Board of China Galaxy Financial Holding Company Limited and China Galaxy Securities Co., Ltd.

Zongsheng CHEN
Professor of Nankai University, Dean of China Fortune Economic Research College

Manjiang CHENG
Chief Economist of BOCI, CEO of BOCI Research Limited

Amy (Yan) CHENG
Managing Director, Bank of China International Holdings Limited

Rebecca Chua
Assistant CEO, ICBC Credit Suisse Asset Management (International) Company Limited

Kathyanne Cohen
VP - Senior Regulatory Officer, Moody's Investors Service

Xin CUI
Deputy Secretary General, China Development Research Foundation

Bejoy Das Gupta
Chief Economist for Asia,
Institute of International Finance

Daniel Deng
Managing Director, Citadel (Hong Kong) Limited

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

Yaxin Duan
Research Scholar & Lecturer, Princeton University

Manuel Dussault
Chief Financial Services Trade and Relations,
Finance Canada

Diane Ellis
Director, Division of Insurance and Research,
Federal Deposit Insurance Corporation(FDIC)

Fabiana Fedeli
Senior Portfolio Manager, Robeco

Allen Ferrell
Greenfield Professor of Securities Law,
Harvard Law School

William Foster
Senior Advisor for International Financial Markets,
U.S. Department of Treasury

Stefan Gavell
Executive Vice President and Head of Regulatory,
Industry, and Government Affairs, State Street

Jun GE
President, Pudong Innovation Research Institute ,
Assistant President, China Europe International
Business School

J. Christopher Giancarlo
Commissioner, U.S. Commodity Futures
Trading Commission

Simon Gleave
Regional Head of Financial Services, KPMG Asia Pacific

William Grimes
Professor of International Relations, Boston University

Minghua GONG
Editor-in-Chief of China Rural Finance, China Banking
Regulatory Commission (CBRC)

Hong GUO
Managing Director, GC Securities

Tao (Jerry) GUO
Goldman Sachs(China)

Victor Han
Director, KPMG LLP

Sherry (Quan) HAO
Partner, KPMG China

Timothy Hogan
Vice President, International Government Relations,
JPMorgan Chase & Co.

Yuyu HONG
Deputy Division Chief, Development Research Center,
Zhejiang Provincial Government

Mengjing (Nargaret) HOU
Deputy Head, Bank of China NY Financial Institutions
Department

Chunyu HU
Director, General Affairs Department, State Administration
of Foreign Exchange (SAFE)

Jian HU
Managing Director, Moody's Investors Service

Jinsheng HU
Division Chief, Development Research Center, Zhejiang
Provincial Government

Ting HUA
Vice General Manager, Bank of Communications NY

Xiaojun HUANG
FVP and Head of Research, Bank of China New York

Merit Janow
Dean, School of International and Public Affairs, Columbia University

Chengyue JIAO
General Manager, New York Branch, China Merchants Bank

Richard Katz
Editor, The Oriental Economist Report

Albert Keidel
Senior Fellow, Atlantic Council

Brian Kelly
Managing Partner, Asian Century Quest

Dino Kos
Head of Global Regulatory Affairs, CLS Bank International

Arthur Kroeber
Head of Research, Gavekal Dragonomics

Richard Lacaille
Global CIO, State Street Global Advisors

Dinh Lai
Vice President, International Government Relations, Metlife

Zongmin LAN
Assistant Research Fellow, General Office, Development Research Center of the State Council, China

Elaine LaRoche
Senior Advisor, China International Capital Corporation Limited

Nicholas Lardy
Senior Fellow, Peterson Institute for International Economics

Cindy Leggett-Flynn
Managing Partner, US China, Brunswick Group

Wei LEI
Director, Bank Research, Institute of Finance, Development Research Center of the State Council, China

Cindy Li
Senior Supervisory Analyst, Federal Reserve Bank of San Francisco

Jianbo LI
Executive Director, JPMorgan Chase & Co.

Wenzheng LI
Deputy Representative of Representative Office for the Americas, People's Bank of China

Yi (David) LI
Chairman & CEO, China, Co-head of Greater China Banking, JP Morgan Chase& Co.

Hamilton Lin
President and CEO, Wall Street Training

Ning LIN
Managing Director, Cantor Fitzgerald, USA

Dongmei LIU
Senior Manager, Audit Department, China Galaxy Securities Company Ltd

Hongye LIU
Chief Executive Officer, China Galaxy International Financial Holdings Limited

David Loevinger
Managing Director for Asian Economics and Investment Strategy, Trust Company of the West (TCW)

Lawrence Low
Managing Director, Office of Regulatory Affairs, J.P. Morgan Chase & Co.

Mai LU
Secretary General, China Development Research Foundation

Stephen Markscheid
Partner, Wilton Partners

Peter McClean
Managing Director, Gulfstream Advisors

John Medel
Vice President, Goldman Sachs

Philip Melville
Director, Global Fixed Income Strategist, MetLife

Kano Mitchell
COO, Global Strategic Associates

Cary Morimoto
Analyst, Duquesne Family Office

Satoru Murase
Partner, Morgan, Lewis & Bockius LLP

Jack Murphy
Managing Director, Promontory Financial Group

Jamil Nazarali
Head of Citadel Execution Services, Citadel Securities

Richard Neiman
Head of Regulatory & Government Affairs, Lending Club

Frank Newman
Chairman, Promontory Financial Group China

Candice (Can) NIU
China General Chamber of Commerce - USA (CGCC)

William Overholt
Senior Fellow, Harvard University Asia Center

Elsie Pan
Director, PricewaterhouseCoopers LLP

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

Peng PEI
Ministry of Finance, China

John Phipps
Director, McGraw Hill Financial

Matt Pottinger
Senior Associate, Davidson Kempner Capital Management

Jiangnan QIAN
Ministry of Finance, China

Randal Quarles
Managing Director, The Cynosure Group

Andrew Rothman
Investment Strategist, Matthews Asia

Kurt Schacht
Managing Director, CFA Institute

Charles Scully
Managing Director, Chief Investment Officer Asia, MetLife Investments Asia Limited

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

Henny Sender
Chief Correspondent, Financial Times

Daniel P. Senger
Partner, Wilton Partners

Liping (Amee) SHAO
President and Executive Director, Bank of LANGFANG

Paul Sheard
Executive Managing Director and Chief Global Economist and Head of Global Economics & Research, Standard and Poor's

Nathan Sheets
Undersecretary for International Affairs, U.S. Department of Treasury

Jianguang SHEN
Managing Director and Chief Economist of Mizuho Securities Asia Limited

James Shipton
Executive Director, Hong Kong Securities and Futures Commission

Mark Slaughter
Asia-Pacific Head of Corporate and Investment Banking, Citi

Xiangyan SONG
Chief Representative of Representative Office for the Americas, People's Bank of China

James Sun
Managing Director, Charles Schwab Hong Kong

Jie SUN
Honorary Chairman, China Venture Capital and Private Equity Association

Mark (Make) TANG
Chairman,
World Tech Ventures and GCA Therapeutics, Ltd

Sean Tully
Senior Managing Director of Financial & OTC, CME Group

Adrian Van Rixtel
Head International Financial Analysis, Bank of Spain

Marsha Vande Berg
Fellow, PIFS, Harvard Law School

James Walsh
Founder and Managing Director, Walsh Advisors, LLC

Jesse WANG
Chairman,
Beijing Dalio Public Welfare Foundation

Ning WANG
Assistant General Manager, CreditEase

Wen WANG
Executive Dean, CHONGYANG Institute for Financial Studies, Renmin University of China

Yiming WANG
Vice Minister, Development Research Center of the State Council (DRC)

Yinghua WANG
Chief Representative, Tianjin Office, Cohen Group

Jason Weller
Managing Director of Corporate Strategy and Innovation, CME

Ayako Weissman
Senior Vice President and Director of Asia Strategy, Horizon Kinetics LLC

Jeffrey Williams
Independent Director,
Board of China Universal Asset Management Co., Ltd.

John Williams
President and Chief Executive Officer,
Federal Reserve Bank of San Francisco

Yiqun XIE
Vice President, The People's Insurance Company (Group) of China limited

Chen XU
Chairman, China General Chamber of Commerce – U.S.A., President, U.S.A. & CEO of Bank of China

Dongliang XU
Director-General, Development Research Center of Guizhou Provincial People's Government

Haifeng (Allen) XU
Vice President, New York Branch, Bank of China

Haifeng Xue
Vice President, Government and Public Affairs, Moody's Asia Pacific Ltd

Fan YANG
Advisor, World Bank

Jianmin YANG
Ministry of Finance, China

Tianliang YANG
Assistant Vice President, The People's Insurance Company(Group) of China limited

Franny (Fang) YAO
Partner & Leader, Key Accounts/Government Relations, Ernst & Young

Betty Yap
Partner, Linklaters LLP

Yu YE
Partner, YeYu Fund

Peter Young
Partner, Young and Partners

Jiantuo YU
Deputy Director, Beijing BOZHI Institute;
Director, Research Department, CDRF

Ming YU
General Manager, Agricultural Bank of China (ABC) New York Branch

Dong YUAN
Vice CEO of Bank of China, US

Chenghui ZHANG
Director-General, Institute of Finance, Development Research Center of the State Council

Hongjiu ZHANG
PRC Lawyer, Partner of Jingtian & Gongcheng

Lu ZHANG
Vice General Manager, Agricultural Bank of China (ABC) New York Branch

Ping (Katherine) ZHANG
Chief Compliance Officer, Manulife Teda Fund Management Co. Ltd.

Lanlan ZHANG
Chief Executive Officer, CICC US Securities, Inc.

Linda Zhang
Partner, KPMG LLP

Shouqing ZHANG
Cohen Group

Xiaodong ZHANG
Deputy Chief Executive Officer, China Galaxy International Financial Holdings Limited

Zhizhou ZHANG
General Manager of DH Fund Management Co., Ltd.

Changwen ZHAO
Director-General, Research Department of Industrial Economy, Development Research Center of the State Council

Danyang ZHAO
Director, Pureheart National Selection Fund

Hong ZHOU
Research Analyst, Emerging Market Group, Citigroup

Jianjun ZHOU
Assistant Research Fellow, The Commission of State Owned Assets Supervision and Administration of the State Council, PRC

Mi Zhou
Associate, Citadel (Hong Kong) Limited

Guangyao ZHU
Vice Minister of Finance, China

Shan ZHU
President, Bridge Capital

Yang (Andy) ZHU
Chairman, Shanghai Nord Engine Asset Management Group

Symposium Agenda

Friday, September 18

6:00-6:30 p.m. COCKTAIL RECEPTION

6:35 p.m. GREETINGS AND INTRODUCTIONS

- Hal S. Scott, Nomura Professor and Director, PIFS, Harvard Law School
- LU Mai, Secretary General, China Development Research Foundation (CDRF)

6:45-7:55 p.m. KEYNOTE ADDRESSES

- J. Christopher Giancarlo, Commissioner, CFTC
- Guangyao ZHU, Vice Minister of Finance, People's Republic of China

7:55-9:45p.m. DINNER

9:45-10:30 p.m. AFTER-DINNER COCKTAILS

Saturday, September 19

7:15-8:55 a.m. BREAKFAST

8:00-8:55 a.m. KEYNOTE ADDRESSES

- Nathan Sheets, Under Secretary for International Affairs, U.S. Department of the Treasury
- Yiming WANG, Vice President (Minister), Development Research Center of the State Council, P.R. China

8:55-9:55 a.m. PANEL DISCUSSION

Capital Markets: Access and Volatility

- Moderator: Hal S. Scott, Nomura Professor and Director, PIFS, Harvard Law School
- James Angel, Associate Professor of Finance, McDonough School of Business, Georgetown University
- Jamil Nazarali, Head of Citadel Execution Services, Citadel Securities
- Liang CHEN, Executive President and Secretary, China Association of Social Impact Investment;
- Founding Partner& CEO, KnQuant & Jiuding Investment Management Co., Ltd
- Zongsheng CHEN, Professor of Nankai University, Dean of China Fortune Economic Research College

9:55-11:00 a.m. SMALL GROUP SESSIONS

GROUP	ROOM	FACILITATORS	REPORTER
1	Room H	Frank Newman, GE Jun	Bill Grimes, YU Jiantuo
2	Room J	Brian Kelly, XU Dongliang	Marsha Vande Berg
3	Room F	Fangfang Chen, ZHANG Zhizhou	Dino Kos
4	Dining Room 2	Linda Zhang, NIU Candice	Hamilton Lin
5	Conf Room A	Mark Slaughter, LI David	James Shipton
6	Conf Room B	Satoru Murase, WANG Wen	Fabiana Fedeli
7	Dining Room 1	David Loevinger, CHENG Yan	Elaine LaRoche

11:00-11:15 a.m. REFRESHMENT BREAK

11:15-11:50 a.m. PANEL SESSION

The Bi-lateral Investment Treaty and New Financial Architecture: Evolving Roles for China and the U.S.

- Chenghui ZHANG, Director-General, Institute of Finance, Development Research Center of the State Council
- Sean Tully, Senior Managing Director of Financial & OTC, CME Group Inc.

11:55-1:00 p.m. SMALL GROUP SESSIONS

GROUP	ROOM	FACILITATORS	REPORTER
1	Room H	Allen Ferrell, GE Jun	Bill Grimes, YU Jiantuo
2	Room J	Nick Lardy, XU Dongliang	Marsha Vande Berg
3	Room F	Paul Sheard, ZHANG Zhizhou	Dino Kos
4	Dining Room 2	Merit Janow, NIU Candice	Hamilton Lin
5	Conf Room A	Jim Walsh, LI David	James Shipton
6	Conf Room B	Kathyanne Cohen, WANG Wen	Fabiana Fedeli
7	Dining Room 1	Bill Overholt, CHENG Yan	Elaine LaRoche

1:00 – 2:30p.m. LUNCHEON AND KEYNOTE ADDRESS

- John Williams, President and CEO, Federal Reserve Bank of San Francisco

2:35-4:00 p.m. PANEL SESSION- PLENARY

Current Issues in the Regulation of Financial Institutions

- Moderator: Hal S. Scott, Nomura Professor and Director, PIFS, Harvard Law School
- Diane Ellis, Director, Division of Insurance and Research, FDIC
- Minghua GONG, Editor-in-Chief of China Rural Finance, China Banking Regulatory Commission
- Ning WANG, Assistant General Manager, CreditEase
- Stefan Gavell, EVP and Head of Regulatory, Industry & Government Affairs, State Street

4:00-6:30 p.m. FREE TIME\RAPPORTEURS MEETING

6:30-7:00 p.m. COCKTAIL RECEPTION

7:10-8:10 p.m. KEYNOTE ADDRESS

- Youan CHEN, Chairman, China Galaxy Financial Holding Company Ltd and China Galaxy Securities Co., Ltd
- Stephen Bird, CEO of Consumer Products, Citi

8:10-9:45p.m. DINNER

9:45-10:30p.m. AFTER DINNER COCKTAILS

Sunday, September 20

7:20-8:15 a.m. BREAKFAST

8:20-8:45a.m. KEYNOTE ADDRESS

- Changwen ZHAO, Director General, Research Department of Industrial Economy, Development Research Center (DRC) of the State Council

8:50-10:00 a.m. PRESENTATION & DISCUSSION

The Bi-lateral Investment Treaty and New Financial Architecture: Evolving Roles for China and the U.S.

- Simon Gleave, Regional Head of Financial Services, KPMG Asia Pacific
- Jesse WANG, Chairman, Beijing Dalio Public Welfare Foundation, Board member of China National Social Security Foundation

10:00-10:15 a.m. REFRESHMENT BREAK

10:15-11:15 a.m. PRESENTATION & DISCUSSION

Capital Markets: Volatility, Access and Development

- Charles Scully, Managing Director, Chief Investment Officer Asia, MetLife Investments Asia Limited
- Jianguang SHEN, Managing Director and Chief Economist of Mizuho Securities Asia Limited

11:15a.m.-12:15 p.m. PLENARY SESSION

The Impact of Cross-border Mergers & Acquisitions on the Economies of China and the U.S.

- CHENG Manjiang, Chief Economist of BOCI, CEO of BOCI Research Limited
- Mark Slaughter, Asia-Pacific Head of Corporate and Investment Banking, CitiGroup
- Moderator: Jie SUN, Honorary Chairman, China Venture Capital and Private Equity Association

10:00-10:15 a.m. CLOSING BUFFET LUNCH

Harvard Law School
Program on International Financial Systems (PIFS)
25 Mt. Auburn Street
Cambridge, MA 02138

www.law.harvard.edu/programs/pifs

Hal S. Scott, Nomura Professor, Harvard Law School and Director, PIFS

HOST SPONSOR

CITI

LEAD SPONSOR

KPMG

GLOBAL SPONSORS

CITADEL

STATE STREET

SPONSORS

ASIAN CENTURY QUEST

CFA INSTITUTE

CME GROUP

ELLIOTT MANAGEMENT

KCG ASIA

METLIFE

MOODY'S

SATORU AND HIROKO MURASE

PROMONTORY FINANCIAL GROUP

CHINESE SPONSORS

CHINA GALAXY SECURITIES CO., LTD

CHINA INTERNATIONAL CAPITAL CORPORATION LTD. (CICC)

HONY CAPITAL

CREDITEASE

BANK OF CHINA INTERNATIONAL HOLDINGS LIMITED (BOCI)