PIFS

CDRF

2025

China - U.S. Symposium on Building the Financial System of the 21st Century



Future of Financial Services in the U.S. and China

Challenges and Opportunities in U.S. and Chinese Financial Markets

- Mutual attractiveness of capital markets
  - Chinese companies still prize U.S. listings
    - Lower barriers to IPOs – promotes innovation
    - Depth and liquidity of markets – better pricing
    - Credibility for international investors
  - U.S. investors active in China
    - Higher economic growth and emerging tech leaders
    - Relatively low valuations
- Why are Chinese stocks undervalued relative to U.S.?
  - Characteristics of Chinese markets: structure of household wealth, capital controls
  - Ongoing concerns: rule of law, auditing and information
  - Hong Kong listings can add to credibility

Emerging Challenges in China and the U.S.

- Macro issues in China
  - High and rising corporate debt
  - Persistent underconsumption/overinvestment
    - Where will Chinese goods be purchased?
    - Profitability challenging for both SOEs and for private-sector firms in competitive industries
  - Concerns over local government finance
    - Land sales no longer suffice – will authorities sell other assets?
  - Central government reluctance to use fiscal stimulus
- Issues in U.S. financial markets
  - U.S. stock valuations at record levels, but challenges emerging
  - Concerns over Fed independence, future path of inflation
  - U.S. government debt and deficits rising
  - Some voice concern over rule of law and credibility of U.S. govt debt

Geopolitics and the Role of the USD

- Global geopolitical changes
  - Rise of multipolarity
  - Increasing U.S.-China frictions
  - Disruption of postwar trading system
    - Deglobalization?
    - What roles for U.S. and China?
- Impacts on U.S.-China finance: possible decoupling
  - U.S. policies: incoming and outgoing FDI controls, continued threat of delisting; more to come?
  - China: possibility of voluntary delisting, rebalancing of forex reserves, retreat from T-bonds
- Global role of the USD
  - U.S. policies incl. fiscal and sanctions may threaten USD attractiveness
  - But stablecoins may actually strengthen global role of USD

Digital Finance – Crypto and Tokenization

- Varieties
  - Crypto assets
  - Tokenization (called RWA or “real world assets” in China)
  - Digital currency – stablecoin and CBDC
- Contrasting approaches to crypto
  - China: banned due to concerns of illegal activities, capital flight
  - U.S.: major shift to crypto-friendly in 2025
  - Concerns: AML, KYC, tax evasion, financial stability
    - Is anonymity a good thing or a bad thing?
- Tokenization
  - China: cautious on the mainland, sandboxing in HK
  - U.S.: legal, but not yet widely used
  - Promise: rapid settlement, fractional ownership, smart contracts
  - Concerns: liquidity, pricing, legal basis of ownership, financial stability

Digital Finance – Stablecoins

- Contrasting approaches
  - U.S.: newfound enthusiasm and the GENIUS Act
  - China: reluctance on mainland, experimentation in HK
    - Preference for Digital Yuan, but slow progress
  - HK: improved regulatory system and sandboxing
    - CNH stablecoin issuance has begun
- Use-cases and potential
  - Instant, inexpensive, transparent, verifiable transactions
  - Use-cases: rapid payments, link to crypto, remittances
    - Is there a domestic use-case in U.S. and China given existing fast, cheap electronic payments?
  - Remittances and international payments
    - Can reduce costs and increase speed
- Concerns
  - Loss of monetary sovereignty and risk of capital flight
  - AML/KYC challenges

Emerging Issues in Financial Markets

- AI in finance
  - "AI": large language models (LLM) , machine learning)ML), deep learning (DL), artificial general intelligence (AGI)
  - Use-cases: chatbots/advising, trading execution, portfolio design, research, KYC/AML compliance, credit risk analysis, SupTech
  - Legal and regulatory challenges: legibility and liability
  - Employment impacts on sector
  - Who is profiting? Does AI in finance improve allocation, productivity, stability?
- Energy and carbon markets
  - Financing green transformation, inc. electrical production and transmission
  - AI revolution increases demand for data centers and compute energy
  - U.S. and China diverging
    - China: establishing carbon markets, pledging to cut GHG
    - U.S. return to "drill, baby, drill"

UPCOMING EVENTS

Japan-U.S. Symposium (Karuizawa, Japan)
November 20-22, 2025

To receive an invitation to other PIFS Symposia,
or to recommend your colleagues for participation, please contact:

Whitney Vasey
wvasey@pifsinternational.org | 857-242-6072
www.pifsinternational.org