

# SYMPOSIUM ON BUILDING THE FINANCIAL SYSTEM OF THE 21<sup>ST</sup> CENTURY: AN AGENDA FOR JAPAN AND THE UNITED STATES

The Prince Hotel Karuizawa West  
OCTOBER 24-26, 2014

*AGENDA (As of October 16, 2014)*

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## **FRIDAY, OCTOBER 24**

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**6:00-6:55 p.m. COCKTAIL RECEPTION** Chikuma Banquet Hall

**6:55-7:00 p.m. GREETINGS** Chikuma Banquet Hall

- Hal Scott, Nomura Professor and Director, Program on International Financial Systems, Harvard Law

**7:00-7:30 p.m. KEYNOTE ADDRESS** Chikuma Banquet Hall

- Tatsuo Yamasaki, Vice Minister of Finance, International Affairs

**7:30-9:00 p.m. DINNER KEYNOTE ADDRESS** Chikuma Banquet Hall

- Nathan Sheets, Under Secretary for International Affairs, U.S. Department of the Treasury

**9:00-10:30 p.m. AFTER-DINNER COCKTAILS** Marron Lounge

## **SATURDAY, OCTOBER 25**

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**7:15-8:00 a.m. BREAKFAST BUFFET** Chikuma Banquet Hall

*\*Panelists, Reporters, and Facilitators please sit at reserved tables\**

**8:00-8:20 a.m. WELCOME & OPENING REMARKS** Asama Conference Hall

- Hal S. Scott, Nomura Professor of International Financial Systems, Harvard Law School

**8:25-10:00 a.m. PANEL SESSION – PLENARY DISCUSSION ONLY** Asama  
**FED Tapering, BOJ QQE and Emerging Markets**

- Robert Feldman, Chief Economist, Morgan Stanley MUFG Securities Co., Ltd.
- Kozo Koide, Chief Economist, DIAM Co., Ltd
- Dino Kos, Executive Vice President, CLS Bank International
- Shinichi Uchida, Director-General of BOJ Monetary Affairs Department

**10:00-10:15 a.m. REFRESHMENT BREAK** Asama Conference Hall

**10:15-10:35 a.m. PANEL SESSION** Asama Conference Hall

**Post-Crisis Responses through New Regulations, Industry Sanctions, and Limits on Shadow Banking**

*Panelists will introduce and discuss issues relevant to the topic. Each panelist will make a 5-7 minute presentation before all of the participants are broken into small, working groups.*

- Chris LaRosa, Executive Director, Government and Industry Association Relations, CME Group
- Takumi Shibata, Executive Chairman, Nikko Asset Management Co., Ltd.

**10:40-12:15 p.m. SMALL GROUP SESSIONS** Asama & Nire No Ki Halls

*Participants are divided into working groups for facilitated discussions with the views raised by the panelists serving as a foundation for the discussions. A facilitator encourages conversations which occur under Chatham House Rules, and a rapporteur will record the major themes (sans attribution) for use during the sessions on the final day.*

<b>Group</b>	<b>Room</b>	<b>Facilitators</b>	<b>Reporter</b>
1	Asama E	Junichi Maruyama & Douglas Hymas	William Grimes
2	Asama F	Yasuhiro Harada & Masaaki Kanno	Akihiro Wani
3	Ayame	Takayoshi Hatayama & Jathon Sapsford	Chris Wells
4	Tsutsuji	Tsuyoshi Oyama & Arthur Mitchell III	Hamilton Lin
5	Yamaboshi	Tsutomu Watanabe & David Asher	Richard P. Mattione
6	Sakuraso	Hiroyuki Kamano & Ed Rogers	Marsha Vande-Berg
7	Suzuran	Osamu Yamamoto & Satoru Murase	Dino Kos

**12:20-1:30 p.m. LUNCHEON KEYNOTE ADDRESS** Chikuma Banquet Hall

- Mr. Hiroshi Nakaso, Deputy Governor, BOJ

**1:35-1:55 p.m. PANEL SESSION** Asama Conference Hall

**International Financial Centers**

*Panelists will introduce and discuss issues relevant to the topic. Each panelist will make a 5-7 minute presentation before all of the participants are broken into small, working groups.*

- Paul Speltz, Chairman and Chief Executive Officer, Global Strategic Associates
- Hiroshi Watanabe, Governor, CEO, Japan Bank for International Cooperation

**2:00-3:20 p.m. SMALL GROUP SESSIONS** Asama & Nire No Ki Halls

*Participants are divided into working groups for facilitated discussions with the views raised by the panelists serving as a foundation for the discussions. A facilitator encourages conversations which occur under Chatham House Rules, and a rapporteur will record the major themes (sans attribution) for use during the sessions on the final day.*

<b>Group</b>	<b>Room</b>	<b>Facilitators</b>	<b>Reporter</b>
1	Asama E	Donald Kanak & Shigeki Kimura	William Grimes
2	Asama F	Shunichiro Kimpara & Cliff Shaw	Akihiro Wani
3	Ayame	Bill Wilder & Yoshio Okubo	Chris Wells
4	Tsutsuji	Brian Kelly & Takashi Oyama	Hamilton Lin
5	Yamaboshi	James Walsh & Yoneo Sakai	Richard P. Mattione
6	Sakuraso	Mark Siegel & Etsuko Katsu	Marsha Vande-Berg
7	Suzuran	Steven Chan & Ken Takamiya	Dino Kos

<b>3:20-6:00 p.m.</b>	<b>FREE TIME</b>	
<b>3:25-6:00 p.m.</b>	<b>REPORTERS MEETING</b>	Shakunage Meeting Room
<b>6:00-6:55 p.m.</b>	<b>COCKTAIL RECEPTION</b>	Chikuma Banquet Hall
<b>6:55-7:00 p.m.</b>	<b>EVENING WELCOME</b>	Chikuma Banquet Hall
	<ul style="list-style-type: none"> <li>• Yasushi Akashi, Chairman, International House of Japan</li> </ul>	
<b>7:00-7:30 p.m.</b>	<b>KEYNOTE ADDRESSES</b>	Chikuma Banquet Hall
	<ul style="list-style-type: none"> <li>• Nobuyuki Hirano, President, The Bank of Tokyo-Mitsubishi UFJ, Ltd.</li> </ul>	
<b>7:30-9:00 p.m.</b>	<b>DINNER &amp; KEYNOTE ADDRESS</b>	Chikuma Banquet Hall
	<ul style="list-style-type: none"> <li>• Dan Ryan, Financial Services Advisory Practice Leader, PricewaterhouseCoopers LLP</li> </ul>	
<b>9:00-10:30 p.m.</b>	<b>AFTER-DINNER COCKTAILS</b>	Marron Lounge

## **SUNDAY, OCTOBER 26**

<b>7:15-8:00 a.m.</b>	<b>BREAKFAST BUFFET</b>	Chikuma Banquet Hall
	<i>*Chairs and Reporters please sit at reserved tables*</i>	
<b>8:05-9:05 a.m.</b>	<b>PRESENTATION &amp; DISCUSSION</b>	Asama Conference Hall
	<b>Post-Crisis Responses through New Regulations, Industry Sanctions, and Limits on Shadow Banking</b>	
	<ul style="list-style-type: none"> <li>• Akira Ariyoshi, Professor, Asian Public Policy Program, School of International and Public Policy, Hitotsubashi University</li> <li>• Satoru Murase, Partner, Bingham McCutchen Murase</li> </ul>	
<b>9:10-10:10 a.m.</b>	<b>PRESENTATION &amp; DISCUSSION</b>	Asama Conference Hall
	<b>International Financial Centers</b>	
	<ul style="list-style-type: none"> <li>• Jeffrey Bohn, Senior Managing Director, State Street Global Markets</li> <li>• Akinari Horii, Special Advisor, The Canon Institute for Global Studies</li> </ul>	
<b>10:10-10:25 a.m.</b>	<b>REFRESHMENT BREAK</b>	Asama Conference Hall
<b>10:25-11:25 a.m.</b>	<b>PRESENTATION &amp; DISCUSSION</b>	Asama Conference Hall
	<b>FED Tapering, BOJ QQE and Emerging Markets</b>	
	<ul style="list-style-type: none"> <li>• Takatoshi Ito, Professor, National Graduate Institute for Policy Studies, University of Tokyo</li> <li>• Robert Dohner, Deputy Assistant Secretary for Asia, U.S. Department of the Treasury</li> </ul>	
<b>11:30-12:45 p.m.</b>	<b>CLOSING LUNCH</b>	Chikuma Banquet Hall



# Symposium Final Report

**T**he seventeenth Japan-U.S. Symposium was held in Karuizawa, Japan, from October 24-26, 2014. Sessions discussed effects of monetary policy developments in Japan and the U.S., effects of post-crisis regulatory reforms for banks and shadow banking, and the potential for Tokyo to develop into an international financial center. Participants expressed mixed opinions about the progress of Abenomics and trends in macroeconomic policy in Japan and the U.S. Meanwhile, there was considerable concern about regulatory burden and compliance costs associated with post-crisis financial reform. Overall, however, there was cautious optimism about the prospects for the U.S. and Japanese economies.

# Session 1

## Fed Tapering, BOJ QQE and Emerging Markets

In Session 1, participants discussed monetary policy in Japan and the U.S., as well as prospects for economic growth. While there was considerable support for BOJ policy, there were mixed opinions as to the ability of Japanese monetary policy makers to meet their goals in terms of both inflation and reduction of the output gap. Participants also considered the question of Japan's potential growth.

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### JAPAN'S "QUANTITATIVE AND QUALITATIVE EASING"

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Participants discussed at length the progress and prospects of the Bank of Japan's assertive monetary policy. They noted QQE was designed to shift inflationary expectations upward, thereby reducing expected real interest rates and promoting the growth of credit in the economy. In principle, this should create mild inflation, reduce cyclical unemployment, and reduce the output gap. This in turn would create a virtuous cycle that could reinvigorate Japanese growth. An alternative viewpoint held that real interest rates were less important than the gap between nominal interest rates and nominal returns, suggesting that the success of QQE would depend on improvements in corporate ROE.

A number of participants raised questions about the ability of monetary policy to spur

growth in Japan. They noted that potential growth was driven primarily by supply-side variables, and that monetary policy could at best boost the economy toward potential growth. Participants' estimates of Japan's potential growth ranged from 0.3% to 0.6%, depending on differing views of potential productivity gains and capacity for expansion of labor force participation. Many pointed to emerging labor shortages and upward wage pressures as evidence that QQE and fiscal policy had significantly reduced the output gap—at least one participant argued that Japan had shifted from a deflation gap to an inflation gap, leaving little room for further improvement from monetary policy.

Several participants asked how monetary policy might support the real economy, focusing on the major macroeconomic factors of labor, investment, and productivity. While much of the focus to date had been on the

ability of easy credit and low real interest rates to spur investment (and by extension R&D, which correlates highly with productivity growth), some participants asked whether QQE could affect demand for labor as well. They were particularly troubled by growing inequality and stagnant or declining household disposable incomes, which they saw as limiting the impact of lower real interest rates. This was seen as a particular challenge given Japan's declining working-age population; QQE would need to work in tandem with supply-side policies under the Abenomics third arrow even to stabilize total hours worked.

There was also some skepticism about the ability of QQE to eliminate deflation. Several participants stated that the BOJ's stated target of achieving 2% inflation within two years of the introduction of QQE was unlikely to be met, given an apparent deceleration of price rises in the aftermath of the consumption tax hike. They argued that decreasing real demand, driven by falling household disposable income, created severe headwinds for QQE. As one put it, "We are trying to address structural problems with cyclical tools," suggesting the possible need for never-ending quantitative easing and fiscal stimulation. Others were more sanguine, arguing that the BOJ could create higher inflation by introducing further easing as needed. *[Note: A major new bond-buying program was announced by the BOJ on October 31, less than a week after the Symposium.]*

Still, both optimists and pessimists agreed that the BOJ's major challenge would not be simply raising inflation temporarily, but re-anchoring inflationary expectations at or near the 2% level. Re-anchoring was seen by many participants as crucial to changing private consumption and investment behavior; after nearly two decades of deflation, they argued that the BOJ had a way to go in establishing the credibility of its commitment to moderate inflation over the long term. Some participants noted that workers in their twenties and thirties had no experience of working in a

rapidly growing economy, which they believed had the effect of dampening animal spirits and hopes for the future.

There was also some discussion of the substantial depreciation of the yen. Some participants argued that it was simply a correction from the previously overvalued yen, or was a side-effect of aggressive quantitative easing in Japan plus QE tapering in the US. Others thought that depreciation was a goal of policymakers, but felt that it would not be effective in stimulating exports because of the regional supply chains of Japanese manufacturers. They expressed concern that depreciation might introduce "bad" inflation in the form of higher energy and food prices that would erode consumers' purchasing power, instead of "good" inflation that would result from tightening labor markets.

## QQE AND ABENOMICS

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Participants recognized that QQE was only one piece, albeit so far the most consequential piece, of a comprehensive growth strategy. Most gave monetary policy since 2013 high marks, but many fretted that the other two "arrows" (fiscal policy and structural reform) of Abenomics were not supporting the economy as strongly.

Discussion of fiscal policy centered on the consumption tax hike. The extent of the negative effects of the April 2015 hike from 5% to 8% surprised many participants, who had expected a milder, shorter-term impact. Fiscal stimulus measures had been insufficient to buffer the effects on consumption and on households' purchasing power. There was, therefore, considerable discussion of whether the next planned tax hike, from 8% to 10%, would be wise and would go through as planned. Most participants appeared to expect that the tax hike would be allowed to go ahead as planned, albeit probably with a substantial new dose of stimulus spending. However, many felt that if economic indicators did not

improve by December, the tax hike might well be delayed. *[After the Symposium, an unexpected decline in GDP growth for the third quarter led the Abe Administration to call for a delay in the tax hike, dissolve the Diet, and set a snap election.]*

Opinions differed as to whether continued consumption tax increases were appropriate for Japan or not. Proponents argued that Japan's fiscal sustainability required increased tax revenue, and that in an economy with a declining work force, the consumption tax was the fairest and most efficient tool to use, especially given government revenue predictions that relied on apparently optimistic expectations of economic growth. Opponents countered that among the weakness of the Japanese economy were declining real household incomes and under-consumption; thus, raising the consumption tax would work against the actual needs of the economy. Moreover, some were unhappy about the pattern of consumption tax hikes, arguing that it would be better to increase the rate by one percentage point per year until it hit a final range of 15-20%. Complicating matters further, participants noted the determination of the Abe Administration to cut corporate tax rates. Even if such a cut were to be revenue-neutral (by broadening the tax base and eliminating deductions and loopholes), a number of participants were critical of either the economics or the politics of simultaneously increasing tax rates for household consumption and lowering taxes on corporations.

Several participants suggested that, even more than raising the consumption tax, long-term fiscal sustainability would depend on reform of social welfare programs. One estimated that the consumption tax would need to rise to over 30% if national pensions and health insurance benefits were not decreased. Participants agreed that this was politically unsustainable, and that benefit cuts would be necessary to address the gap. There was little discussion of specifics, however.

There was considerable discussion of the "third arrow" of structural reform. (Some participants argued that it would be more accurate to call structural reform "one hundred darts" rather than the "third arrow," since it consisted of many policy measures across a variety of areas, including labor flexibility, female labor participation, agriculture, energy, health services, and robotics.) Many participants agreed that such supply-side policies would have the largest long-term impacts on the Japanese economy, not only improving potential growth rates, but also increasing the level of production. They argued that the keys to success on supply-side reforms were a focus on introducing competition in currently uncompetitive sectors (e.g., agriculture, energy), improving labor markets, and supporting investment and R&D to improve productivity.

One question for many participants was where risk capital would come from to promote investment, R&D, and new business models. They pointed to the general risk aversion of Japanese households (who continued to hold most of their assets in deposits and life insurance policies), Japanese corporations (which continued to hoard cash rather than invest aggressively or distribute it to shareholders), and Japanese banks. This was seen to be compounded by the relative lack of institutional investors in the venture capital and private equity space, along with continued conservatism of pension funds. Some participants argued that the expected shift in asset allocation by the Government Pension Investment Fund (GPIF) could have a profound effect on the availability of risk capital, both by directing its own considerable funds away from "safe" investments in government bonds and by acting as a role model for other institutional investors. In addition, a number of participants expressed hope that institutional investors could become a force for pushing better corporate governance, as envisaged in the recent creation of a voluntary stewardship code, rules on outside directors and director responsibility, and the creation of the JPX-Nikkei 400 index.

Evaluations of structural reform plans varied considerably. Some felt that the Abe Administration's priorities were well-planned and that it had already moved boldly (if incrementally to begin with) in a number of areas. Others criticized the government for misplaced priorities or timidity in moving forward with reforms. Either way, it was noted that "success"—whether in implementation or in actual economic effects—would take years. In the meantime, reforms could be derailed by changes in political leadership or a decision that the short-term effects caused too much pain. Proponents of aggressive structural reforms argued that monetary and fiscal policy support remained essential to keep them on track.

## **TAPERING OF U.S. QUANTITATIVE EASING**

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Participants also discussed the approaching end of U.S. quantitative easing policies. It was noted that the Fed had successfully moved from purchasing \$85 billion per month in assets down to nearly zero in the space of a year, with few lasting negative effects on markets. Most felt this to be appropriate, as U.S. unemployment was approaching the natural rate and GDP had maintained its slow but steady growth. Many participants agreed that inflationary expectations were effectively anchored around the Fed's long-term target range, in contrast to Japan.

Still, a number of participants observed that exit from quantitative easing had been a long and drawn-out process, given that the policy had been in place for over five years. They also noted uncertainty about what would happen as the flow of asset purchases was reversed and as nominal interest rates began to rise again to pre-crisis "normal" levels. One prediction was that market volatility would rise significantly, as profit-driven market actors were seen as likely to act very differently from the Fed, which had focused on predictability and stabilization of markets.

Thus, monetary authorities might find themselves again having to make trade-offs between inflation goals and financial market stability.

Questions were also raised regarding forward guidance. One participant noted that, while forward guidance was meant in principle to stabilize market expectations, the Fed had adjusted its goals for dates and thresholds for GDP, inflation, and unemployment multiple times. While this may have been essential to justifying continued monetary support for a weak recovery, it was argued that this also meant that forward guidance might well have been overrated as a monetary policy tool.

Finally, some participants echoed concerns, raised before the Symposium by Fed Chairman Yellen, regarding inequality. They were troubled that economic recovery had been uneven and had favored the wealthy over the working and middle classes. They suggested that quantitative easing may have exacerbated this phenomenon, since liquidity injections had partly worked through supporting asset prices, advantaging wealthier households.

# Post-Crisis Responses Through New Regulations, Industry Sanctions, & Limits on Shadow Banking

Session 2 examined post-crisis financial regulation, focusing on restrictions on banking and incentives for shifting financial activities to the less-regulated “shadow banking” system. Participants agreed that post-crisis regulations probably made individual banks (if not necessarily the financial system) safer, but expressed concerns over the direct and indirect costs of expanded regulation. They also discussed regulation of non-bank financial institutions, as well as prospects for shadow banking to address funding gaps in the real economy.

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### POST-CRISIS REGULATORY REFORMS

Participants noted that banks had been a particular focus of global regulatory reform, reflecting their central role in finance, payments systems, and the financial crisis. The focus was particularly on new global standards, like those for capital and liquidity, and on U.S. regulatory reform, as in the case of the Volcker Rule. While Japanese regulation had evolved over some time before the crisis in response to global regulatory dialogue (for example, by expanding responsibility of directors), regulatory reform since the crisis had been much more profound in the U.S. and EU, where large-scale reforms

were still wending their way through rulemaking processes.

A number of participants argued that the goal of U.S. and EU policymakers was to make banks “safe and boring.” The imperative of protecting taxpayers from having to fund bailouts of banks that had misjudged risk had led to stricter rules for capital, leverage, and liquidity that were intended to reduce the risk of bank failures. Regulators had further responded to concerns about the cross-border effects of bank insolvency by imposing resolution and recovery plans, and in a number of jurisdictions additional measures such as ring-fencing of the local subsidiary capital of foreign banks.

#### *Advent of Global Standards*

One of the hallmarks of post-crisis financial regulation was the advent of global regulatory

standards. This was seen as a comprehensive effort, affecting not only banks, but also insurers and other financial institutions. Basel III and the designation of banks and non-banks as systemically important financial institutions (SIFIs) were emblematic of the efforts of global regulators to reduce vulnerability to crises and contagion.

While many participants welcomed the advent of global standards to improve regulatory coordination and level playing fields, several also noted that the actual standards appeared to reflect primarily the needs and experiences of the U.S. and Europe. They questioned whether these standards—for example, those regarding central clearing of derivatives, net stable funding ratio, SIFI resolution—necessarily met the needs of very different financial systems in Asia and elsewhere. While there was particular questioning of the applicability of standards in emerging markets, some participants also argued that global standards were not relevant to Japan’s financial structure and regulatory system. They noted that Japanese financial institutions’ internal structures and balance sheets had been far less complex than many U.S. and European financial institutions that had gotten into trouble, that Japanese financial institutions had not invested nearly as much in illiquid securities and derivatives, that Japanese macroprudential regulation had appeared to work much better during the global financial crisis, and that in fact Japanese financial institutions had ridden out the crisis considerably better than their U.S. and European counterparts. Thus, they found it ironic that Japan had consistently been one of the earliest implementers of the new standards. Some participants suggested that it would make more sense for Japan and its Asian neighbors to consider creating an alternative set of standards that would make more sense for their financial systems; however, most did not consider this to be a realistic proposition.

Participants also observed that, despite the principle of ensuring global harmonization, global standards were in fact interpreted,

adapted, and enforced by national authorities, leading to considerable variation in specific rules and implementation (even within the EU). Some of the most significant differences were to be found between U.S. and European regulations, including key rules related to derivatives trading and bank capital. For Japanese financial institutions doing business in both the U.S. and Europe, the need to comply with sometimes contradictory rules was seen as burdensome.

With regard to U.S.-Japan issues, the major concerns of Japanese financial institutions and regulators had to do with extraterritorial aspects of U.S. regulation. As in previous years, concerns were raised over how the Volcker Rule would affect the worldwide operations of Japanese banks with U.S. branches or subsidiaries. U.S. FATCA and AML rules were also seen as increasing costs for internationally active Japanese financial institutions. Indeed, some participants argued that extraterritoriality (as seen also in EU directives on derivatives trading and the proposed financial transaction tax) had become an ongoing feature of the global financial regulatory system.

## **EFFECTS OF NEW REGULATIONS ON BANKS**

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Participants spoke at length about the effects of post-crisis regulatory reform on banks. They discussed both direct effects and indirect effects. Many participants expressed doubt that the costs to banks and their customers of the new regulations would be outweighed by benefits to society.

One major complaint concerned the direct costs imposed by regulation on banks. Participants shared several estimates of compliance costs for banks, which were exacerbated by regulatory uncertainty. Some participants felt that compliance costs would likely drop over the longer term, as banks changed their systems and behavior to comply with the new regulations, but there was a

general sense that the costs were very high. Another concern was excessive penalties for previous behavior. Participants pointed to extraordinarily high fines imposed on a number of financial institutions in the U.S. for regulatory violations up to and during the subprime crisis. Large fines and criminal penalties in the U.S. and Europe for price-fixing of benchmarks, such as LIBOR, added to these concerns.

While most participants agreed that the direct costs to banks of new regulations had been significant, many expressed greater concern about what they saw as the indirect costs to the real economy. For example, they noted that banks would presumably pass along some of their increased costs on to customers, raising the cost of borrowing and maintaining deposits.

The greatest concern was over opportunity costs. First, many participants argued that increased capital and liquidity requirements would reduce banks' capacity to lend, restricting credit availability to the real economy. Moreover, the post-crisis standards were forcing banks to shift their portfolios toward "safe" assets, including government bonds, collateralized lending to high-quality borrowers, and shorter-term lending. (There was some debate over whether JGBs, Treasuries, and—especially—sovereign bonds of peripheral Eurozone members should properly be considered "safe." Regardless, preference for lending to sovereigns would reduce ability to lend to others.) While this might make banks less vulnerable to crises, participants argued that it created other problems. As discussed in greater detail below, riskier borrowers, including infrastructure projects and SMEs, would be forced to seek funding outside the banking system, where the costs might be considerably higher. Thus, these participants worried that post-crisis banking regulations were reducing not only banks' willingness to provide risk capital to the real economy, but also the availability of risk capital in general. This could reduce economic growth rates in many

countries, including the U.S., Japan, and much of Europe.

## SHADOW BANKING

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Participants predicted that post-crisis regulation of banks and insurers would likely drive more borrowers to the so-called shadow banking system. This led to considerable discussion of what shadow banking actually consisted of, and whether this shift would increase the risk of future financial crises.

Participants considered two different definitions of shadow banking issued by the FSB and the U.S. Office of Financial Research.

- FSB: *"Credit intermediation involving entities and activities (fully or partially) outside the regular banking system."*
- OFR: *"Credit intermediation by unregulated or lightly regulated financial institutions in combination with the creation of money-like liabilities, involving leverage and maturity transformation, in opaque markets."*

There was a lack of agreement as to which definition was more useful in practice. Some felt that the main point was the shift of lending away from banks to less regulated financial institutions. Others argued that from a regulatory perspective the key issue was riskiness to the financial system, and so attention should be focused on the maturity transformation function. The choice of definition made a significant impact on estimates of the size of shadow banking: for example, in the U.S., the FSB definition yielded an estimate of \$25.2 trillion, while the OFR estimate was \$14.6 trillion. Under either definition, Japan's shadow banking sectors was estimated to be much smaller than that of the U.S., compared to both bank assets and to GDP.

There was a general agreement that shadow banking was best defined as an activity, but

that for practical reasons regulation and supervision were often defined by entity. A number of participants pointed out that shadow banking entities were not necessarily “unregulated.” MMFs, REITS, and most financing companies were regulated entities, even if they did not currently face rules as stringent as banks. This was seen to be especially true in Japan.

Even if shadow banking entities and activities could for the most part not accurately be called “unregulated,” participants agreed that most were much more lightly regulated than banks, particularly with respect to capital requirements. Some participants saw this as a good thing, as they argued that the ability of banks to provide credit to the real economy was being hampered by excessive regulation. Thus, they cautioned against attempts to try to extend the strict post-crisis financial regulation to shadow banking, as it would choke off essential credit to the real economy.

Other participants argued that the dangers of shadow banking were real. Rather than lauding regulatory arbitrage that pulled borrowers away from the forced conservatism of the banking sector, they worried that the types of risks that had led to the global financial crisis were being moved out of sight rather than eliminated. (Or in some cases, such as the requirement of central clearing, they warned that risks were being concentrated even if they were not hidden.) These participants pointed out that the history of financial crises showed that crisis can emerge from any part of the system, and thus relying on market discipline could prove dangerous. They considered recent efforts by national regulators and the FSB to regulate certain shadow banking activities, such as strict capital and liquidity rules for clearinghouses and the recent announcement of a 5% haircut on repurchase agreements, to be a positive sign.

Overall, there was a high level of agreement that the scale and role of shadow banking was growing in response to banking regulation. Shadow banking was fulfilling the important

function of filling the demand for credit that banks had become unable or unwilling to provide. Given these trends, participants expected that shadow banking would become more and more central to the financial system, albeit more so in the U.S. than in Japan.

### **DOES THE POST-CRISIS REGULATORY RESPONSE MAKE US BETTER OFF?**

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Participants had mixed opinions as to the costs and benefits of the post-crisis regulatory response. Many expressed concern about what they saw as high direct and indirect costs, with uncertain benefits. Others argued that the costs of financial crises were so large that it was still better to impose costly regulations if the new rules could prevent or help to manage a new crisis in developed economy financial systems.

A number of participants argued that it was appropriate to regulate banks as public utilities, since they serve a public goods function in the payments system. Moreover, they pointed out that in many cases taxpayers would be on the hook for bailouts. While they acknowledged that banks would likely have lower returns on equity and become more “boring,” they felt that such a system would better align incentives and prevent the return of a world in which “gains are private and losses are public.”

Other participants were not convinced that the new regulatory regimes would do what they were designed to do. They argued that history showed that crises could occur in even the most heavily regulated financial systems, due to misjudgments about risk. Moreover, there were questions as to whether safer banks would mean a more stable system; some noted that, despite lip service to macroprudential regulation, much of the actual regulatory response had been microprudential in nature. As an example of a systemic risk, some participants noted that post-crisis regulations were leading banks and insurers to create

highly similar portfolios, based on providing credit to sovereigns and “high-quality” borrowers, leading to significant concentration of risk. The increased reliance on central clearing was also seen as an example of risk concentration. If these assets proved to be more dangerous than regulators believed, there could be systemic effects. And, as noted, higher regulation in banking and insurance could lead to regulatory arbitrage or concentration of risks out of sight of regulators and market participants.

Some participants also pointed to a potential adverse effect of global G-SIB (banking) regulation. They predicted that the number of G-SIBs would decline in response to the increased costs of compliance, leading to consolidation of international banking services and advantaging those G-SIBs that remained. For those financial institutions, high compliance costs might best be seen as a barrier to entry for competitors, and thus constitute an investment in gaining oligopoly power. It was predicted that Japanese and U.S. G-SIBs would have a better likelihood of retaining their global role than their European counterparts, as many European national authorities lacked the capacity to backstop G-SIB failures and would therefore likely impose more costly regulatory requirements on their banks.

Beyond the question of benefits of post-crisis regulation, participants discussed costs extensively. Several expressed frustration at the lack of authoritative data even on direct costs, let alone opportunity costs. Still, they felt that costs were considerable in terms of direct compliance costs, costs to borrowers (particularly “riskier” borrowers), and opportunity costs in the real economy created by constraints on risk capital. These were seen as likely to be compounded by national regulatory phenomena such as ring-fencing, extraterritoriality, and non-recognition of foreign regulatory regimes, all of which would have a negative impact on cross-border financial activity and the ability of multinational financial institutions to achieve economies of scope and scale.

## WHAT SHOULD REGULATION LOOK LIKE?

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Despite varying opinions about specific regulations and approaches, participants generally agreed that the post-crisis regulatory response remained uncoordinated, inconsistent, and uncertain. They expressed frustration at the difficulties of making and implementing business plans when rules varied across borders and over time. Many argued that the next round of rulemaking should prioritize clearer and simpler rules, as well as consistent enforcement. And they expressed frustration at the quality of consultation and communication with the private sector concerning policymaking, rulemaking, and enforcement in the U.S. and Europe. (There were far fewer complaints in this regard about Japan.). This represented a sharp turn around of opinion from prior Symposia on the desirability of regulatory regimes. Foreign institutions now saw many virtues in the Japanese approach to regulation compared to those of their home countries.

A number of participants worried that the post-crisis regulatory response had focused excessively on addressing the causes of the global financial crisis, or “fighting the last war.” While acknowledging that it was impossible to know where the next crisis would arise, they felt that the regulatory barrage in banking and insurance might reduce vigilance regarding emergent risks. Also, some argued that new types of financial service providers such as Alipay might be changing the whole concept of financial institutions and systems. Others countered that only national authorities could stop crises, through bail-outs and lender of last resort functions; thus, financial activities would continue to gravitate to more formal and geographically based financial centers. However, they acknowledged that post-crisis regulation had potentially introduced new risks in the traditional banking sector—for

example, in the forms of global market fragmentation and U.S. restrictions on the Fed's lender of last resort function.

Despite general agreement on some principles, including the need for greater clarity and simplicity, as well as strengthening of lender of last resort capabilities, participants recognized that even such unanimously-held principles faced uphill challenges to implementation. Some argued that, despite the best efforts of regulators to devise and implement global standards, the post-crisis regulatory response in the U.S. and Europe had been driven by populist urges. These included the desire to punish banks and "Wall Street," as well as concerns about bailing out foreign creditors or financial institutions. While a number of participants felt that the desire to punish financiers was reasonable, given the extent of the crisis and its effects on taxpayers, homeownership, and employment, they worried that it was preventing regulatory cooperation and effective assessment of costs and benefits of financial regulation. And although the Japanese policy debate was seen as less driven by populist urges, participants noted that Japanese financial institutions and markets were still affected by U.S. and European policies. There was widespread concern over the weakening of the Fed's role as lender of last resort.

Given the extent of continued anger at financiers in the U.S. and Europe, some participants argued that regulation would not be improved unless the policy conversation was refocused. In the present environment, any relaxation of regulation on the basis of reducing costs of compliance would be seen as a gift to bankers, and thus politically unpopular. They suggested instead that discussion focus on real economy effects of regulation, including increasing costs of credit, credit constraints for SMEs, and the effects of both on employment and household income. As one participant put it, "You can't talk your way out of a problem you behaved yourself into." Only high-quality economic analysis of both direct and opportunity costs held out hope for changing the debate.

## International Financial Centers

Session 3 addressed Tokyo's potential as an international financial center, an ongoing theme of the Japan-U.S. Symposium over the years. Participants discussed the meaning and benefits of being an international financial center, as well as the essential elements to become one. There was considerable discussion of the policy steps that Tokyo would need to take to expand its international role. Finally, the issue of political will was raised, with some participants skeptical as to whether Japan really wanted to be an international center.

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### WHAT DOES IT MEAN TO BE AN INTERNATIONAL FINANCIAL CENTER?

A fundamental question in Session 3 was what it means to be an international financial center. Participants referred to several different ranking systems, which produced quite different evaluations of many financial centers. In most ranking systems, however, New York and London occupied the top two ranks, while Hong Kong and Singapore were generally ranked above Tokyo for Asia. Still, it was also noted that Tokyo financial markets are considerably larger, deeper, and more liquid than other markets in Asia. Given the lack of a standard definition or methodology for evaluating international financial centers, participants expressed dissatisfaction with all of the ranking schemes;

nevertheless, most participants agreed at least on an impressionistic level with the sense that Tokyo was trailing Hong Kong and Singapore.

One critique of the notion of rankings of international financial centers was that there was really no single model. New York and London were seen as comprehensive centers, with large equity and capital markets, a full range of financial products including derivatives, many foreign issuers and investors, and a variety of legal and financial services. Hong Kong and Singapore, in contrast, were seen by participants as more specialized centers, e.g. Singapore for asset management, Hong Kong for regional financing. Tokyo was seen as standing in contrast to the Hong Kong/Singapore model, as it supported the needs of Japan's large domestic corporate and investor base but was not nearly as successful in attracting foreign

issuers in its equity and bond markets or in supporting a large foreign financial institution presence. Even in terms of equity markets, where foreigners now comprised a third of stockholding and over half of all trading, it was noted that most foreign investors remained based in New York or Hong Kong.

Discussions of Tokyo as an international financial center focused on expanding its role in intermediating regional financial flows and attracting a large international foreign services community. In general, participants assumed that an “out-out” component (matching foreign issuers with foreign investors) was needed for Tokyo to be considered more than just one of the world’s largest domestic financial markets.

Some participants raised a separate question, asking what it meant to be an international financial center in the 21<sup>st</sup> century, when many activities are carried out offshore, whether in the Cayman Islands or in cyberspace. If financial activity were no longer physically tied to a place, they wondered, did it make sense to expend money, effort, and political capital to try to internationalize Tokyo markets? Other participants argued that the importance of geography had by no means disappeared. They pointed that physical infrastructure for managing and recognizing trading and payments remained important and that for some functions, such as high-frequency trading, physical proximity (at least for servers) had become if anything even more important. Also, any financial transaction must be governed by at least one legally-controlling entity; issuers and investors choose jurisdictions based on the quality of rules, supervision, and dispute resolution regimes. International financial centers offer attractive service-sector jobs including legal and IT services, which provide good sources of tax revenue. Moreover, international financial centers were seen as having a disproportionate voice in setting global regulatory standards, with potentially far-reaching implications for domestic financial institutions and investors.

Thus, the rationale for why Tokyo should aspire to be an international financial center was threefold. First, in a deindustrializing economy like that of Japan, it could provide for increased demand for high-wage service-sector jobs; outside of legal, financial, and technology services, much of the growth in Japan’s service sector employment was oriented toward jobs with low potential for productivity growth. Well-paying service jobs would support the economy more generally. Second, Japan has a major stake in the shape of global financial regulation; while it has long been an active player in global regulation, it has had relatively little say in areas in which its financial markets play a minor role, such as cross-border derivatives trade, even though many Japanese multinational companies and trading firms depend on derivatives. Third, participants argued that increasing the international profile of Tokyo could improve capital allocation, both by increasing market discipline for issuers and borrowers and by offering a wider variety of good-quality investments for Japan’s large pool of underutilized savings. However, there were questions about whether development of the financial sector should be a priority in its own right, or whether finance would just remain as a handmaiden to the needs of manufacturing and other firms in the real economy.

### **TOKYO’S POTENTIAL AS AN INTERNATIONAL FINANCIAL CENTER**

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Participants expressed mixed opinions about Tokyo’s potential to become an international financial center. There was extensive discussion of what it would take and whether the necessary measures were politically feasible.

Discussion focused on developing Tokyo as a regional center for international financial transactions; in other words, participants saw the main competition as Hong Kong and Singapore and, in the longer term, perhaps Shanghai. Participants saw the contrasts with

those markets as instructive, and so there was considerable discussion of what made Hong Kong so attractive to foreign issuers and investors.

Participants identified several advantages to Tokyo in becoming an international financial center. They noted that it already had large, well-developed financial markets, a leading international currency, capital openness, a vast pool of savings, a variety of large and sophisticated financial institutions, strong legal and market infrastructure, rule of law, and high-quality financial supervision. However, some participants suggested that these apparent advantages were not the strengths that they appeared to be at first glance. Despite having a large pool of savings, these participants noted that the development of an investor base was stunted and that many domestic financial institutions remained risk-averse and conservative in their investment decisions. More important for some participants was the poor performance of Japanese equities over the last two decades. They saw the international attractiveness of Tokyo markets as limited to investors making bets on the yen and interest rates, through both the carry trade and investments in equities and bonds. Unless returns in the Tokyo markets and in the overall Japanese economy were to rise, they argued, Tokyo would not become attractive to most foreign investors and Tokyo would be unlikely to become an international financial center

Participants also considered what made Hong Kong such an attractive international financial center. Among various factors, they identified the long tradition of high-quality regulation and market infrastructure, rule of law, English language, and capital openness. The small size of the domestic market was ironically seen as an advantage, as Hong Kong authorities had had to rely on regional financial intermediation to expand their market, and had thus long been responsive to the needs of foreign investors and issuers. For both Hong Kong and Tokyo, history was seen to be important—while colonial Hong Kong had been a center for regional financial services

going back to the 19<sup>th</sup> century, Tokyo had resisted financial internationalization until late in the 20<sup>th</sup> century, at which point it suffered prolonged financial setbacks and economic malaise. In recent years, Hong Kong's attractiveness as an international financial center had been buttressed by its role as a gateway to the Chinese economy; while some wondered whether it would be surpassed by Shanghai in the future, it had so far had the advantages over Shanghai of capital openness, liberal approach to financial innovation, and rule of law.

Thus, the strengths of Hong Kong were seen to be both infrastructural and situational. Unlike infrastructure, which could be transformed through determined effort, situational factors such as history and geography were seen as more fundamental characteristics. For Hong Kong, the colonial history had created positive network and agglomeration effects, which attracted financial services to the territory. At the same time, political conditions allowed for a single-minded pursuit of quality infrastructure and efficient regulation of the financial sector. More recently, closeness to the rapidly-growing Chinese economy had added to its attractiveness, and Hong Kong's first mover status in RMB financial intermediation also gave it advantages. Still, some participants suggested that Hong Kong's China connection might actually offer opportunities for Tokyo to expand its regional role. There was a concern among some participants that Hong Kong's governance would become more dominated by the Chinese government, potentially undermining its reputation for rule of law and liberal financial markets (pro-democracy demonstrations were occurring in Hong Kong during the Symposium). A few participants also suggested that wealthy Chinese may prefer to move their money to Tokyo rather than to Hong Kong or other regional financial centers, on the theory that it would be safer from Chinese authorities there, given the political distance between Japan and China. And it was argued by some that, in order to fully capitalize on the potential of regional financial intermediation, Tokyo would need to

develop competitive capabilities in RMB settlement and clearing.

## **POLICIES TO PROMOTE TOKYO AS AN INTERNATIONAL FINANCIAL CENTER**

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Participants discussed at length what policies could promote Tokyo's role as an international financial center. Many of the recommendations focused on making Tokyo markets more attractive through improvements in infrastructure, legal requirements, tax law, and immigration, but some participants cautioned these that might prove to be necessary but not sufficient conditions. They felt that relying on the principle of "if you build it, they will come" ignored the importance of agglomeration and network effects—if foreign financial institutions were choosing to locate in Hong Kong because other financial institutions were already there, then simply improving Tokyo's infrastructure would not necessarily lure such foreign financial institutions. Thus, while most of the discussion related to (broadly-defined) infrastructure, some participants also suggested there might be a need and an opportunity for pump-priming. Noting that Singapore offers foreign entrants the opportunity to manage state-controlled funds, they suggested that Japan consider using the GPIF in the same way. Others suggested that policymakers should revisit ideas about expanding defined-contribution retirement plans and individual retirement accounts, which could spur asset management opportunities.

Turning back to structural issues, participants identified a number of factors that they saw as making Tokyo less attractive as an international financial center than Hong Kong and Singapore, including aspects of the regulatory system, tax policy, financial and physical infrastructure, human resources, corporate governance, and credit culture. By addressing these issues, many participants felt that Tokyo could significantly enhance its

attractiveness as an international financial center.

Starting with the financial regulatory system, participants generally that Japanese rules reflected global standards and that there was a level playing field for local and foreign financial institutions. However, they identified a number of areas in which Tokyo was less attractive than Hong Kong or Singapore. Chief among these was what they saw as a significantly higher regulatory burden, including substantial reporting requirements (compounded by the requirement of using Japanese, whereas all the other major international financial centers accepted English documentation). Several also pointed to obstacles to foreign firms using Tokyo as a regional headquarters. Participants called for the Japanese government to reduce red tape, and to allow English-language documentation. There were also concerns raised about the time and expense of moving disputes through the Japanese court system, and some participants called for the development of more extensive alternative dispute resolution mechanisms. Participants also raised questions about the capabilities of Japanese financial regulators. Although participants were generally complimentary of their competence and fairness, both reduction of red tape (shift toward more principles-based regulation) and allowance of English-language documentation would require significant improvement of the human resources available to the FSA and BOJ. Restrictions on the activities of foreign lawyers remained an issue for some participants as well. Finally, some participants noted that New York, London, Hong Kong, and Singapore all had legal systems based on English common-law, while Japan had adopted a continental civil law system. Obviously, this was not likely to change just in order to improve attractiveness of the financial system.

The Japanese tax system was another major concern of participants. While the Abe administration had focused on reducing Japan's very high corporate tax rates, many participants argued that this was not the

biggest concern. Rather, they felt that personal income tax rates were more important, since they affected the willingness of foreign personnel to live for extended periods in Tokyo. Japanese personal income tax rates were clearly much higher than those in Hong Kong and Singapore. Corporate taxes were seen as being of less relevance by participants, since in many cases they did not apply—for asset managers and partnerships, for example, most income would be pass-through.

Infrastructure was another major concern. A number of participants focused on financial infrastructure, including settlement and payments systems, order management by exchanges, etc. While the quality of Japanese financial infrastructure was seen to have improved significantly over the years, many participants still rated Tokyo's financial infrastructure as less up-to-date than Hong Kong or Singapore. Some participants further argued that amenities, including access to high-quality English-language schools, would be equally important for many foreigners. Transportation was another concern, given the distance of Narita Airport from downtown Tokyo. These participants felt that the continued expansion of international service from Haneda Airport should be a priority.

A third major focus was improvement of human resources. While the overall quality of Japanese employees was seen to be extremely high, participants identified several deficits that they felt should be addressed. One was a relative lack of financial professionals who could operate at a high level in both Japanese and English. Similarly, a number of participants complained about the relative lack of specialized personnel, for example in IT and legal services. The employment practices of many Japanese financial institutions were seen by some as problematic, as the rotation system tended to produce generalists rather than specialists, while compensation and promotion practices tended to reinforce conservatism and risk aversion.

Immigration and labor laws were also seen as limiting the quality and quantity of human

resources. A number of foreign participants shared stories about the difficulty of getting working visas and residence permits in Japan, in contrast with the ease of doing so in Singapore and Hong Kong. This would complicate the ability of financial institutions to bring in people with the right skills. Japanese labor law, meanwhile, was seen by a number of participants as reducing flexibility to respond to changing needs for skills. Some participants also complained that immigration and labor laws made it more difficult and expensive to hire household help, again in contrast to Hong Kong and Singapore.

One frustration for many participants was what they saw as the excessive conservatism of Japanese financial institutions and companies. They argued that this restricted innovation in financial services, reduced innovative companies' access to capital, and thus limited the upward potential of many Japanese companies. As noted above, particular concerns included corporate governance and internal incentives for employees.

Finally, a number of participants expressed skepticism that foreign financial institutions would flock to Tokyo unless the markets became more dynamic. While acknowledging that this was a bit of a chicken-and-egg problem, they focused on the question of how Japan's savers could be transformed into investors. For some, this was a question of financial education, including by the fund management industry. Others argued that for Japanese households, avoiding securities was rational, given the poor performance of Japanese equities and the downside risks of holding JGBs. Only better corporate performance would draw households back into capital markets.

Participants' views were mixed regarding the feasibility of making Tokyo a major regional financial market center. For some, the advantages of Hong Kong and Singapore were too great for Tokyo to compete for their core international markets. Others argued that there was considerable scope for Japan to improve

the attractiveness of its markets, both to foreigners and domestic residents, as part of its overall drive to improve competitiveness and internationalization.

Stepping back from the question whether Tokyo could out-compete Hong Kong or Singapore for international transactions, a number of participants questioned the political viability of the very ambitious agenda outlined above. They argued that there was no clear political consensus in Japan in favor of making such changes for the benefit of financial services, either in the major political parties (where financial markets are often seen as simply a support for manufacturers and protection of clients from competition is prevalent) or the bureaucracy (where the interests of the FSA, MOF Tax Bureau, and Ministry of Labor, Health, and Welfare often collide in terms of financial regulation, taxation, and pension management) or even among incumbent financial institutions (many of which find the status quo comfortable). Moreover, given the already ambitious public commitments of Abenomics, how high a priority could the goal of making Tokyo an international financial center become? However, others noted the natural fit with some features of Abenomics (e.g., GPIF reform, labor and immigration flexibility, corporate governance), and argued that these policies could contribute to the international attractiveness of Tokyo markets.

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# Symposium Agenda

## **FRIDAY, OCTOBER 24**

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### **6:55-7:00 p.m. GREETINGS AND INTRODUCTION**

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- Hal Scott, Nomura Professor of International Financial Systems, Director of PIFS, Harvard Law School

### **7:00-7:30 p.m. KEYNOTE ADDRESS**

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- Tatsuo Yamasaki, Vice Minister of Finance for International Affairs, Ministry of Finance, Japan

### **7:30-9:00 p.m. DINNER KEYNOTE ADDRESS**

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- Nathan Sheets, Under Secretary for International Affairs, U.S. Department of the Treasury

## **SATURDAY, OCTOBER 25**

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### **8:15-10:00 a.m. PANEL SESSION**

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FED Tapering, BOJ QQE and Emerging Markets

- Robert Feldman, Chief Economist, Morgan Stanley MUFG Securities Co., Ltd.
- Kozo Koide, Chief Economist, DIAM Co., Ltd
- Dino Kos, Executive Vice President, CLS Bank International
- Shinichi Uchida, Director-General of BOJ Monetary Affairs Department

### **10:15-10:35 a.m. PANEL SESSION**

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Post-Crisis Responses through New Regulations, Industry Sanctions, and Limits on Shadow Banking

- Chris LaRosa, Executive Director, Government and Industry Association Relations, CME Group
- Takumi Shibata, Executive Chairman, Nikko Asset Management Co., Ltd.

### **10:40-12:15 p.m. SMALL GROUP SESSIONS**

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### **12:20-1:30 p.m. LUNCHEON KEYNOTE ADDRESS**

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- Hiroshi Nakaso, Deputy Governor, Bank of Japan

### **1:35-1:55 p.m. PANEL SESSION**

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International Financial Centers

- Paul Speltz, Chairman and Chief Executive Officer, Global Strategic Associates
- Hiroshi Watanabe, Governor, CEO, Japan Bank for International Cooperation

### **2:00-3:20 p.m. SMALL GROUP SESSIONS**

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### **3:20-6:00 p.m. REPORTERS MEETING**

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### **6:55-7:00 p.m. EVENING WELCOME**

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- Yasushi Akashi, Chairman, International House of Japan

**7:00-7:30 p.m. KEYNOTE ADDRESSES**

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- Nobuyuki Hirano, President, The Bank of Tokyo-Mitsubishi UFJ, Ltd.

**7:30-9:00 p.m. DINNER KEYNOTE ADDRESS**

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- Dan Ryan, Financial Services Advisory Practice Leader, PricewaterhouseCoopers LLP

**SUNDAY, OCTOBER 26**

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**8:00-9:00 a.m. PRESENTATION & DISCUSSION**

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Post-Crisis Responses through New Regulations, Industry Sanctions, and Limits on Shadow Banking

- Akira Ariyoshi, Professor, Asian Public Policy Program, School of International and Public Policy, Hitotsubashi University
- Satoru Murase, *Partner, Bingham McCutchen Murase*

**9:05-10:05 a.m. PRESENTATION & DISCUSSION**

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International Financial Centers

- Jeffrey Bohn, Senior Managing Director, State Street Global Markets
- Akinari Horii, Special Advisor, The Canon Institute for Global Studies

**10:25-11:25 a.m. PRESENTATION & DISCUSSION**

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FED Tapering, BOJ QE and Emerging Markets

- Takatoshi Ito, Professor, National Graduate Institute for Policy Studies, University of Tokyo
- Freya Beamish, Economist, Lombard Street Research

# Sponsor Profiles

## **ABeam Consulting Ltd.**



ABeam Consulting provides business transformation services that create strategic advantage, improve business processes, leverage technology innovation, and enhance organizational performance for leading multinational and domestic companies worldwide.

ABeam partners with clients to diagnose and solve their real challenges with solutions that combine industry and operational best practices with technical expertise. Pragmatic approaches ensure that clients gain measurable value more quickly. Headquartered in Tokyo, ABeam's over 4,300 professionals serve more than 700 clients throughout Asia, the Americas and Europe.

## **Advantage Partners, LLP**



Advantage Partners, LLP is a leading provider of services to private equity and similar funds focused on the Japanese and Asian markets. Advantage Partners was founded in 1992 by Taisuke Sasanuma and Richard Folsom and has been providing services to funds since 1997, when the firm established the first buyout fund in Japan. Funds served by Advantage Partners have invested in more than 40 companies representing total invested capital exceeding ¥ 300 billion across a wide range of industries and sectors. Advantage Partners has achieved top-tier returns through superior execution across the investment cycle including sourcing proprietary deals through a deep network of contacts and relationships, enhancing value through hands-on consulting and a focus on operations, and achieving solutions. Advantage Partners is based in Tokyo and has an office in Hong Kong.

## Aflac



When a policyholder gets sick or hurt, Aflac pays cash benefits fast. For nearly six decades, Aflac insurance policies have given policyholders the opportunity to focus on recovery, not financial stress. In the United States, Aflac is the leading provider of voluntary insurance at the worksite. In Japan, Aflac is the number one life insurance

company in terms of individual policies in force. Aflac individual and group insurance products help provide protection to more than 50 million people worldwide. For eight consecutive years, Aflac has been recognized by Ethisphere magazine as one of the World's Most Ethical Companies. In 2014, FORTUNE magazine recognized Aflac as one of the 100 Best Companies to Work For in America for the 16th consecutive year. Also, in 2014, FORTUNE magazine included Aflac on its list of Most Admired Companies for the 13th time, ranking the company number one in the life and health insurance category. Aflac Incorporated is a Fortune 500 company listed on the New York Stock Exchange under the symbol AFL. To find out more about Aflac, visit [aflac.com](http://aflac.com) or [espanol.aflac.com](http://espanol.aflac.com).

Aflac herein means American Family Life Assurance Company of Columbus and American Family Life Assurance Company of New York.

## Asian Century Quest

### Asian Century Quest

Asian Century Quest is a New York based investment management firm focused principally on the publicly listed equities of companies domiciled across Asia. ACQ seeks superior risk-

adjusted investment returns by utilizing rigorous, research driven fundamental analysis to identify longer term investment opportunities in the region. Through greater understanding of the region's historical investment biases in markets such as Japan and China, the firm seeks to balance the positive and negative risks in the region.

## **The Bank of Tokyo-Mitsubishi UFJ, Ltd.**



### **Bank of Tokyo-Mitsubishi UFJ**

South America. BTMU's parent, Mitsubishi UFJ Financial Group, Inc. (MUFG), is one of the world's leading financial groups. MUFG's services include commercial banking, trust banking, securities, credit cards, consumer finance, asset management, and leasing. The Group's operating companies include BTMU, Mitsubishi UFJ Trust and Banking Corporation (Japan's leading trust bank), and Mitsubishi UFJ Securities Holdings Co., Ltd., one of Japan's largest securities firms. MUFG's shares trade on the Tokyo, Nagoya, and New York (NYSE: MTU) stock exchanges.

The Bank of Tokyo-Mitsubishi UFJ, Ltd. (BTMU) is Japan's premier bank, with a global network spanning more than 40 countries. BTMU offers an extensive scope of commercial and investment banking products and services to businesses, governments, and individuals worldwide. In the Americas, BTMU has offices throughout the United States and in Canada, Mexico, and

## **Bingham McCutchen Murase**

# 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 more than 750 lawyers globally with 80 lawyers in Tokyo and more than 60 years of experience in Japanese global matters. We provide strategic legal, business and governmental advice crucial for our clients' business success.

Working with Bingham lawyers across the U.S., Europe and Asia, we advise and represent major corporations in deals and disputes involving Japan and Asia affiliated companies and transactions. Bingham 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. For the past ten years, Fortune Magazine has recognized Bingham as one of the "100 Best Companies to Work For."

## CFA Institute



## CFA Institute

CFA Institute is the global association of investment professionals that sets the standard for professional excellence and credentials. The organization is the leading voice for developing and setting the highest educational and professional standards in the industry to increase competence and integrity. We champion ethical behavior in capital markets through development of codes and standards that help guide the profession. Because we all have a responsibility and a role to play in building a stronger and more accountable investment industry, CFA Institute has launched a long-term global effort, the Future of Finance, to shape a trustworthy, forward-thinking financial industry that better serves society. It provides tools to motivate and empower, and its success is driven by ongoing input from an advisory council of prominent global leaders and others in the financial community. CFA Institute has more than 128,000 members in 149 countries and territories, including 120,000 CFA charter holders, and 144 member societies.



## Citi

Citi, the leading global financial services company, has approximately 200 million customer accounts and does business in more than 160 countries and jurisdictions. Through Citicorp and Citi Holdings, Citi provides consumers, corporations, governments and institutions with a broad range of financial products and services, including consumer banking and credit, corporate and investment banking, securities brokerage, transaction services, and wealth management. Additional information may be found at [www.citigroup.com](http://www.citigroup.com) or [www.citi.com](http://www.citi.com).

## CME Group



As the world's leading and most diverse derivatives marketplace, CME Group ([www.cmegroup.com](http://www.cmegroup.com)) is where the world comes to manage risk. CME Group exchanges offer the widest range of global benchmark products across all major asset classes, including futures and options based on interest rates, equity indexes, foreign exchange, energy, agricultural commodities, metals, weather and real estate. CME Group brings buyers and sellers together through its CME Globex® electronic trading platform and its trading facilities in New York and Chicago. CME Clearing, an industry-leading central counterparty clearing provider, offers clearing and settlement services for exchange-traded contracts.

CME Group also offers market leading services for over-the-counter derivatives across multiple asset classes, including interest rate swaps, credit default swaps, FX, metals, energy and agricultural swaps. For customers outside the U.S., CME Clearing Europe offers greater choice of central counterparty clearing in OTC markets. Overall, CME Group's products and services ensure that businesses everywhere can substantially mitigate counterparty credit risk in both on-exchange and over-the-counter derivatives markets.

## Daiwa Securities Group Inc.



The Daiwa Securities Group is a comprehensive financial services firm with a strong domestic network of 135 branches and sales offices nationwide, as well as a global network of operating offices in 20 countries and regions. The primary businesses of the Group are Retail, Wholesale and Asset Management. All business divisions and offices in Japan and overseas work in close cooperation, seeking ways to enhance synergy and provide a broad selection of financial products and services that meet the diverse needs of customers.



Deloitte provides audit, tax, consulting, and financial advisory services to public and private clients spanning multiple industries. With a globally connected network of member firms in

more than 150 countries and territories, Deloitte brings world-class capabilities and high-quality service to clients, delivering the insights they need to address their most complex business challenges. Deloitte's more than 200,000 professionals are committed to becoming the standard of excellence.

Deloitte's Global Financial Services Industry practice is comprised of more than 30,000 dedicated professionals in more than 40 country member firms with a single focus: serving clients and helping them solve their toughest problems. The group is focused on five business segments— Banking & Securities, Insurance, Investment Management and Real Estate, with practitioners aligned specifically to each. The practice works in five key business areas — audit, enterprise risk services, financial advisory, tax & legal and consulting — and the real strength comes from combining the talents of those groups to address clients' needs. Deloitte's industry experience enables the delivery of tailored solutions to help companies address challenges, maximize market opportunities and create competitive advantage.



**DIAM Co., Ltd.**

DIAM Co., Ltd. was established in 1999 by merging the asset management houses of the Industrial Bank of Japan Co., Ltd. (the current Mizuho Financial Group) and The Dai-ichi Life Insurance Company, Limited. Inheriting the long experience and strong investment foundation of its predecessors, the company, which was known as DLIBJ

ASSET MANAGEMENT CO., LTD., further broadened its base to become one of the largest managers of Japanese pension assets. On January 1, 2008, to reflect the company's growth and increased international stature, the name was changed to DIAM Co., Ltd.

In an economic landscape undergoing seismic change, our long experience in Japanese pension asset management (and our access to the resources of Mizuho-DL Financial Technology Co., Ltd., Dai-ichi Life Research Institute Inc., Mizuho Research Institute Ltd., and subsidiaries and affiliates around the world) uniquely positions us to assist investors in managing portfolio risks and returns on a global basis.

## **Elliott Management Corporation**



Elliott Management Corporation manages two multi-strategy hedge funds which combined have more than \$24 billion of assets under management. Its flagship fund, Elliott Associates, L.P., was founded in 1977, making it

one of the oldest hedge funds under continuous management. The Elliott funds' investors include pension plans, sovereign wealth funds, endowments, foundations, funds-of-funds, high net worth individuals and families, and employees of the firm.

## **Global Strategic Associates, LLC**



**GLOBAL STRATEGIC**  
ASSOCIATES

Global Strategic Associates, LLC (GSA) is an independent, privately-owned international advisory firm and SEC registered FINRA

member broker-dealer. We work with a select group of clients that seek expertise in corporate finance and mergers and acquisitions, significant capital investment, guidance on expanding operations into foreign markets and protection of their existing overseas investments.

We represent some of the largest multi-national corporations, financial institutions, asset managers and real estate developers. We offer clients access to the most active and best funded sources of capital in Asia-Pacific and China, the Middle East and the United States.

Founded by Ambassador Paul W. Speltz in 2009, GSA is a global operation headquartered in New York City with offices and wholly owned subsidiaries in Hong Kong and Beijing. The GSA team includes professionals who have held senior positions in the public and private sectors, and includes corporate leaders, former Ambassadors and senior-level Presidential appointees.

## **Japan Exchange Group, Inc.**



role in its commitment to the development of the financial and capital markets in Asia.

Japan Exchange Group, Inc. (JPX), established in Jan. 2013, is a leading global exchange group whose subsidiaries include Tokyo Stock Exchange, Inc. (TSE) and Osaka Exchange, Inc. (OSE). The JPX cash equity market operated under TSE is home to over 3,400 companies and boasts the world's third largest market capitalization of approximately USD 4.57 trillion (JPY 475 trillion as of Aug. 2014). JPX also offers highly liquid derivatives such as Nikkei 225 futures, TOPIX futures, as well as JGB futures and options contracts through the OSE market. Furthermore, JPX provides clearing services through subsidiary Japan Securities Clearing Corporation and conducts self-regulatory operations through a dedicated separate organization, Japan Exchange Regulation, to offer integrated securities infrastructure that further enhances the appeal and functionality of the Japanese securities market. JPX also actively collaborates with exchanges in the region and plays an integral

## **Japan Investment Advisers Association (JIAA)**

Japan Investment Advisers Association (JIAA) was established in October 1987. JIAA is acting as a self-regulatory organization (SRO) as well as a trade association. JIAA has 276 Investment Management Members whose assets under management is Yen 172 trillion (US\$ 1.7 trillion) and 488 Investment Advisory Members as of June 30, 2014

For the protection of investors and the sound development of the asset management industry, JIAA is engaged in a wide range of activities including: Establishment and enforcement of self-regulatory rules, Representation and advocacy before relevant authorities, Publication of statistics and preparing of reference materials, Corporate governance, Training programs and seminars, and Establishment of sponsored courses at universities.

JIAA is expected to act as an intermediary between the asset management industry and the relevant authorities in order to help both members and the authorities have better communication with one another, which should contribute to facilitating innovation and establishing a better regulatory environment.

## Japan Securities Dealers Association (JSDA)



Japan Securities Dealers Association (JSDA) is a primary self-regulatory organization (SRO) in Japan's securities market. Its legal status is as a Financial Instruments Firms Association authorized by the Prime Minister, pursuant to Article 67-2, Paragraph 2, of the Financial Instruments and Exchange Act. The members of JSDA consist of securities firms, banks, and other financial institutions operating securities businesses in Japan.

# JSDA

As a fully empowered SRO, JSDA extensively regulates market intermediaries, aiming to protect investors by ensuring fair securities transactions. Its self-regulatory functions encompass rulemaking, enforcement, inspection, disciplinary actions, accreditation of sales representatives, and dispute mediations.

JSDA also functions as an interlocutor for the securities industry, providing vehicles for policy dialogue among the industry, the government and other related parties, as well as conducts and promotes investor education, and implements studies to further activating the market.

## JPMorgan Chase & Co.

# J.P.Morgan

JPMorgan Chase & Co. (NYSE: JPM) is a leading global financial services firm with assets of \$2.5 trillion and operations worldwide. The Firm is a leader in investment banking, financial services for consumers and small businesses, commercial banking, financial transaction processing, and asset management. A component of the Dow Jones Industrial Average, JPMorgan Chase & Co. serves millions of consumers in the United States and many of the world's most prominent corporate, institutional and government clients under its J.P. Morgan and Chase brands. Information about JPMorgan Chase & Co. is available at [www.jpmorganchase.com](http://www.jpmorganchase.com)

## **Kamano Sogo Law Offices**

### **KAMANO SOGO LAW OFFICES**

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.

## **Mitsubishi Corporation**



Mitsubishi Corporation (MC) is a global integrated business enterprise that develops and operates businesses across virtually every industry including industrial finance, energy, metals, machinery, chemicals, foods, and environmental business. MC's current activities are expanding far beyond its traditional trading operations as its diverse business ranges from natural resources development to investment in retail business, infrastructure, financial products and manufacturing of industrial goods. With over 200 Offices and Subsidiaries in approximately 90 countries worldwide and a network of over 600 group companies, MC employs a multinational workforce of over 60,000 people.

## **Mizuho Bank, Ltd.**



The Mizuho Financial Group is one of the largest financial institutions in the world, offering a broad range of services including banking, trust and securities, and other business related to financial services through its group companies. The group has approximately 55,000 staff working in approximately 890 offices inside and outside Japan, and total assets of over US\$1.7 trillion (as of March 2014). Under the umbrella of the holding company Mizuho Financial Group, our major group companies include Mizuho Bank (MHBK), Mizuho Trust & Banking and Mizuho Securities. MHBK is a leading financial institution with one of the largest customer bases in Japan, leveraging the comprehensive capabilities of the Mizuho group fully to meet its customers' diverse financial needs and contribute to the economic and social development of Japan and countries around the world.



## **MONEX GROUP**

service, and financial professionalism to provide access to top financial markets globally.

### **Monex Group Inc.**

The Monex Group (TSE: 8698) is a global online financial institution centered around three online brokerages, Monex, Inc. in Japan, TradeStation Group, Inc. in the U.S., and Monex Boom Securities Limited in Hong Kong. It has 12 offices across the globe and about 1,000 employees, with more than half of its staffs located in the U.S. The Monex Group aspires to empower traders and investors worldwide with best of breed technology, education,

### **Morgan Stanley MUFG Securities Co., Ltd.**

## **Morgan Stanley MUFG**

sales and trading, global capital markets, and investment research for clients ranging from government institutions, corporations to institutional investors. The company changed its name from Morgan Stanley Japan Securities Co., Ltd. on May 1, 2010, following the commencement of Morgan Stanley's securities joint venture with Mitsubishi UFJ Financial Group in Japan. For further information about Morgan Stanley MUFG Securities Co., Ltd., please visit [www.morganstanleymufg.com](http://www.morganstanleymufg.com).

Morgan Stanley MUFG Securities Co., Ltd., a consolidated subsidiary of Morgan Stanley, offers products and services in fixed income and equity

Morgan Stanley is a leading global financial services firm providing a wide range of investment banking, securities, investment management and wealth management services. With offices in more than 43 countries, the Firm's employees serve clients worldwide including corporations, governments, institutions and individuals. For further information about Morgan Stanley, please visit [www.morganstanley.com](http://www.morganstanley.com).

### **Nagashima Ohno & Tsunematsu**

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

Nagashima Ohno & Tsunematsu, having offices in Tokyo, New York, Singapore, Bangkok and Ho Chi Minh City, is widely known as a leading law firm and one of the foremost providers of international and commercial legal services in Japan. The firm represents domestic and

foreign companies and organizations involved in every major industry sector and in every legal service area in Japan. The firm has structured and negotiated many of Japan's largest and most significant corporate and finance transactions, and has extensive litigation strength spanning key commercial areas, including intellectual property, labor and taxation. The firm comprises around 340 lawyers (including 11 foreign attorneys) capable of providing its clients with practical solutions to meet their business needs.

## **Nikko Asset Management Co., Ltd.**



Nikko Asset Management is Asia's premier global asset manager, with approximately \$170 billion in assets under management. The firm offers world-class asset management solutions for global investors, capitalizing on

Asia's dynamic economies. With more than 250 investment professionals, the firm leverages its extensive global resources across 12 countries representing over 30 nationalities. Headquartered in Asia for over 50 years, Nikko Asset Management's vantage point extending east to west distinguishes its investment approach.

## **Nomura Holdings, Inc.**



Nomura is a leading financial services group and the preeminent Asia-based investment bank with worldwide reach. Nomura provides a broad range of innovative solutions tailored to the

specific requirements of individual, institutional, corporate and government clients through an international network in over 30 countries. Based in Tokyo and with regional headquarters in Hong Kong, London, and New York, Nomura has a unique understanding of Asia that enables the company to make a difference for clients through three business divisions: retail, asset management, and wholesale (global markets and investment banking). For further information about Nomura, please visit [www.nomura.com](http://www.nomura.com).

## **The Norinchukin Bank**

### **The Norinchukin Bank**

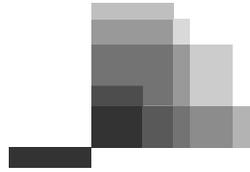
The Norinchukin Bank (the "Bank") was established in 1923 as a quasi-governmental financial institution and became a private

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. For further information, please visit <http://www.nochubank.or.jp/en/>

## PricewaterhouseCoopers Japan



PwC Japan represents PricewaterhouseCoopers Aarata, PricewaterhouseCoopers Kyoto, PricewaterhouseCoopers Co., Ltd., Zeirishi-Hojin PricewaterhouseCoopers and their subsidiaries. Each entity is a member firm of the PricewaterhouseCoopers global network in Japan, or their specified subsidiary, operating as a separate legal entity.

**pwc**

To address complex and diversified business challenges, PwC Japan consolidates expertise of assurance, advisory, and tax professional services as well as enhances its structure in order to cooperate organically. As a professional service firm with a total number of more than 4,000 partners and staff, PwC Japan assists many of the largest institutions in the financial services sector with their most challenging issues such as regulatory reform, risk management and technology in every segment of the financial industry: banks, insurance, investment management, broker/dealers and real estate.

PwC firms help organizations and individuals create the value they're looking for. We're a network of firms in 157 countries with more than 184,000 people who are committed to delivering quality in assurance, tax and advisory services. Tell us what matters to you and find out more by visiting us at [www.pwc.com](http://www.pwc.com).

## SMBC Nikko Securities Inc.



**SMBC NIKKO**

Since its establishment in July 1918, SMBC Nikko Securities Inc. —then known as Kawashimaya Shoten—has grown with its customers for over 90 years. It started a new chapter in SMBC Nikko's history in October 2009 as a member of Sumitomo Mitsui Financial Group (SMFG). One of the largest full service securities and investment banking firms in Japan and a provider of high-quality products and services, SMBC Nikko Securities is working with Sumitomo Mitsui Financial Group (SMFG) 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. [www.smbcnikko.co.jp](http://www.smbcnikko.co.jp)

## State Street



# STATE STREET®

With US\$28.4 trillion in assets under custody and administration, and US\$2.48 trillion in assets under management\* as of June 30, 2014, State Street is a leading financial services provider serving some of the world's most sophisticated institutions. Our flexible suite of services spans the investment spectrum, including investment management, research and trading, and investment servicing. With operations in 29 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 and enhance the value of their service.

State Street has been operating in Asia Pacific since 1982, and today our more than 3,900 employees serve clients from our offices in more than a dozen cities across the region. We opened our first office in Japan in 1988, and we now provide a full range of solutions to our clients, backed by the local market expertise of nearly 400 dedicated professionals.

*\* Assets under management include the assets of the SPDR® Gold ETF (approximately \$33 billion as of June 30, 2014), for which State Street Global Markets, LLC, an affiliate of SSgA, serves as the distribution agent.*

## Sumitomo Mitsui Banking Corporation (SMBC)



# SMBC

SUMITOMO MITSUI  
BANKING CORPORATION

Sumitomo Mitsui Banking Corporation (SMBC) was established in April 2001 through the merger of two leading banks: The Sakura Bank, Limited, and The Sumitomo Bank, Limited. Sumitomo Mitsui Financial Group, Inc., was established in December 2002 through a stock transfer as a bank holding company, and SMBC became a wholly owned subsidiary of SMFG. In March 2003, SMBC merged with The Wakashio Bank, Ltd. SMBC's competitive advantages include a strong customer base, the quick implementation of strategies, and an extensive lineup of financial products and services that leverage the expertise of strategic Group companies in specialized areas. SMBC, as a core member of SMFG, works together with other members of the Group to offer customers highly sophisticated, comprehensive financial services.

## Sumitomo Mitsui Trust Group



Sumitomo Mitsui Trust Group (SuMi TRUST) is established in 2011 through the management integration between Chuo Mitsui Trust Group and Sumitomo Trust and Banking Group. SuMi TRUST is an only one listed trust bank group in

Japan, which boasts 72 trillion yen in assets under management, and 201 trillion yen in domestic entrusted assets\* as of the end of June 2014. \*Total trust assets of the group companies

Based on the “Trustee Sprit” and with significant expertise and comprehensive capabilities, “SuMi TRUST” will create distinct value by leveraging a new business model, combining its banking, asset management and administration, and real estate businesses, and will move onto the global stage as a leading trust bank group which boasts the largest and highest status in Japan.

## Tokio Marine & Nichido Fire Insurance Co., Ltd.



**TOKIO MARINE  
NICHIDO**

Tokio Marine & Nichido was founded in 1879 as Japan’s first insurance company and is a leader in the non-life insurance industry in Japan. It delivers optimal insurance products and services for customer needs from an ample product lineup and diverse service menu through agencies with 46,658 offices in Japan (as of March 31, 2014).

Our mission is to respond to our customers’ hopes and trusts through superior product and service development and risk consulting, as well as its superior distribution network of agents, claims settlement service network and worldwide network. We aim to be a “Good Company” by acting with integrity for the benefit of our customers, business partners, and society.

## Unison Capital



UNISON CAPITAL

Having been founded as an independent investment fund in 1998, Unison Capital is a pioneer of private equity in Japan, focusing primarily on mid-cap buyouts in both Japan and Korea. Managed by a handful of seasoned professionals with no ties to large corporate groups, we assist our portfolio companies in devising strategies to enhance their long-term value, without falling prey to conflicts of interest.

We seek “growth with stable cash flows”, while our investment philosophy is for management, employees and shareholders to work in unison to deliver growth and create value. We rely on an extensive and long-standing global network consisting of in-house management advisors, financial institutions and consulting firms.

Our investor base consists of world-class government and financial institutions, pension funds and endowment funds, domiciled both in Japan and overseas. The funds managed by Unison Capital have aggregated over JPY 300 billion in total commitments to date. Through 21 investments totaling over 650 billion yen in total enterprise value, we have accumulated in-depth industry knowledge and business management expertise across a range of industries including retail/services, consumer goods, healthcare, manufacturing, technology, telecom/media, financial services and real estate.