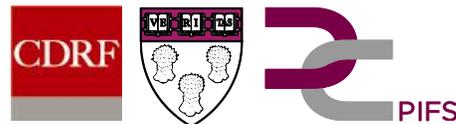


SYMPOSIUM ON BUILDING THE  
FINANCIAL SYSTEM OF THE 21ST CENTURY:  
AN AGENDA FOR CHINA AND U.S. FINANCIAL ENGAGEMENT



ARMONK, NEW YORK • JUNE 24-26, 2011  
THE WEILL CENTER

***FINAL AGENDA***

---

**FRIDAY, JUNE 24**

---

**5:00 P.M.** RENAISSANCE GUESTS – Bus to the Weill Center; meet in lobby of Renaissance

**5:40-5:45 P.M. GREETINGS AND INTRODUCTION**

**ROOM H**

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

**5:45-6:15 P.M. KEYNOTE ADDRESS**

**ROOM H**

- Wei LI, President, Development Research Center of the State Council

**6:15-6:45 P.M. COCKTAIL RECEPTION**

**MAIN LOBBY**

**6:55-7:25 P.M. KEYNOTE ADDRESS**

**DINING ROOM**

- The Honorable Lawrence H. Summers, Charles W. Eliot Professor, Kennedy School of Government, Harvard University

Introduced by: Hal Scott, Nomura Professor and Director, Program on International Financial Systems (PIFS), Harvard Law School

**7:25-9:15 P.M. DINNER**

**DINING ROOM**

**9:15-10:30 P.M. COCKTAILS**

**MAIN LOBBY**

**9:20 P.M., 10:00 P.M. & 10:30 P.M.** RENAISSANCE GUESTS – Bus back to hotel; meet in Main Lobby of Weill

**SATURDAY, JUNE 25**

---

**7:00- 7:45 P.M.** RENAISSANCE GUESTS –Buses to the Weill Center departs every 20 minutes; meet in hotel lobby

**7:15-8:00 A.M. BREAKFAST BUFFET**

**DINING ROOM**

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

**8:15-8:25 A.M. OPENING REMARKS**

**ROOM H**

- Mai LU, Secretary General, China Development Research Foundation (CDRF)

**8:25-8:45 A.M. PANEL SESSION****ROOM H*****Topic 1: Regulation and Competitiveness in the U.S. and Chinese Capital Markets***

- Jon Greenlee, Managing Director, KPMG LLP
- Haizhou HUANG, Managing Director, China International Capital Corporation Limited (CICC)

**8:50-10:15 A.M. SMALL GROUP SESSIONS**

<b><u>GROUP</u></b>	<b><u>ROOM</u></b>	<b><u>FACILITATORS</u></b>	<b><u>REPORTER</u></b>
1	Room H	Stefan Gavell, Luo JIN	Bill Grimes
2	Room J	Brian Kelly, Yumin MAO	Dino Kos
3	Room F	Barry Metzger, Olin LIU	Marsha Vande-Berg
4	Dining Room 2	Jim Shipton, Shan ZHU	Rick Carew
5	Conf Room A	Rumi Morales, Yifan DING	Nick Reinhardt, Jiantuo YU
6	Conf Room B	Jon Greenlee, Mingjian BI	Alicia Ogawa, Jin FANG

**10:15-10:25 A.M. REFRESHMENT BREAK****10:25-10:45 A.M. PANEL SESSION****ROOM H*****Topic 2: Opportunities and challenges in cross-border investment between the U.S. and China***

- Richard Sokolow, Global Director of Research, Elliott Management Corp.
- Jason SHEN, Chief Financial Officer, Hanhong PE Management Co. Ltd.

**10:50-12:15 P.M. SMALL GROUP SESSIONS**

<b><u>GROUP</u></b>	<b><u>ROOM</u></b>	<b><u>FACILITATOR</u></b>	<b><u>REPORTER</u></b>
1	Room H	Satoru Murase, Luo JIN	Dino Kos
2	Room J	Nicholas Lardy, Yumin MAO	Marsha Vande-Berg
3	Room F	Dick McCormack, Olin LIU	Rick Carew
4	Dining Room 2	Paul Speltz, Shan ZHU	Bill Grimes
5	Conf Room A	Elaine La Roche, Yifan DING	Alicia Ogawa, Jiantuo YU
6	Conf Room B	Richard Sokolow, Mingjian BI	Nick Reinhardt, Jin FANG

**12:15-1:30 P.M. LUNCHEON KEYNOTEADDRESS****DINING ROOM**

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

**1:30-3:00 P.M. PLENARY PANEL DISCUSSION****ROOM H*****Topic 3: The future of the dollar and the RMB in the global financial system***

- Howard Chao, Asia Practice Chair, O'Melveny & Myers
- Guoqiang LONG, Director General, Research Department of Foreign Economy, DRC, the State Council of China
- Stephen Roach, Senior Lecturer & Senior Fellow of the Jackson Institute, Yale University, Non-Executive Chairman, Morgan Stanley Asia
- Xuebin CHEN, Executive Vice Dean, Institute for Financial Studies, Fudan University
- Bluford Putnam, Managing Director and Chief Economist, CME Group

**3:00-6:00 P.M. FREE TIME**

**3:05 P.M.** RENAISSANCE GUESTS – Bus back to hotel; meet in Main Lobby of Weill Center

**3:10 P.M. Optional Excursion:** Bus to the Westchester Mall. Bus will depart the mall at 5:45p.m. to return to the Weill Center by 6:15 p.m. This bus will not go back to the Renaissance Hotel.

**3:00-6:00 P.M. REPORTERS MEETING**

**ROOM F**

**5:45- 6:25 P.M.** RENAISSANCE GUESTS – Bus to the Weill Center; meet in lobby of Renaissance, bus departs every 20 minutes

**6:15-6:45 P.M. COCKTAIL RECEPTION**

**MAIN LOBBY**

**6:45-7:45 P.M. KEYNOTE ADDRESSES**

**ROOM H**

- The Honorable Carlos Gutierrez, Vice Chairman, Institutional Clients Group, Citi
- Tong CAO, Executive Vice President, China Citic Bank

**7:45-9:15 P.M. DINNER**

**DINING ROOM**

**9:15-10:30 P.M. COCKTAILS**

**MAIN LOBBY**

**9:20 P.M., 10:00 p.m. & 10:30 P.M.** RENAISSANCE GUESTS – Bus back to hotel; meet in Main Lobby of Weill Center

---

**SUNDAY, JUNE 26**

---

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

**6:50- 7:35 A.M.** RENAISSANCE GUESTS – Bus to the Weill Center; meet in lobby of Renaissance, bus departs every 20 minutes

**7:15-8:00 A.M. BREAKFAST**

**DINING ROOM**

*\*Reporters and Chairs please sit at reserved tables\**

**8:15-9:15 A.M. PRESENTATION & DISCUSSION**

**ROOM H**

***Topic 1: Regulation and competitiveness in the U.S. and Chinese capital markets***

- Stefan Gavell, Executive Vice President and Head of Regulatory, Industry, and Government Affairs, State Street
- Jie SUN, Director General, China Securities Regulatory Commission

**9:20-10:20 A.M. PRESENTATION & DISCUSSION**

**ROOM H**

***Topic 2: Opportunities and challenges in cross-border investment between the U.S. and China***

- Nicholas Lardy, Senior Fellow, Peterson Institute for International Economics

- Jesse WANG, Executive Vice President & Chief Risk Officer, China Investment Corporation

**10:20-10:30 A.M. REFRESHMENT BREAK**

**10:30-11:30 A.M. PRESENTATION & DISCUSSION**

**ROOM H**

***Topic 3: RMB denominated bond issuance and the international role of RMB***

- Jim Duensing, Executive Vice President and Chief Financial Officer, Caterpillar Financial Services Corporation
- Changhong PEI, Director General, Institute of Economics, Chinese Academy of Social Sciences (CASS)
- Eugene Qian, Global Banking Head for China, Citi
- Zhan WANG, Chief Executive Officer, Hong Kong, Wind Information Co. Ltd.
- Jose-Luis Guerrero, Co-Head of Global Markets, HSBC Bank Plc

Moderated by: Hal Scott, Nomura Professor and Director, Program on International Financial Systems (PIFS), Harvard Law School

**11:30-12:45 P.M. CLOSING BRUNCH**

**DINING ROOM**

**1:00 P.M. BUSES DEPART FROM WEILL CENTER TO DOWNTOWN MANHATTAN (THE GRAND HYATT) AND JFK AIRPORT**



Harvard Law School

---

Program on International Financial Systems

2011 Symposium on Building the  
Financial System of the 21st Century:  
An Agenda for China and the United States

Armonk, New York • June 24–26, 2011

Final Report



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

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

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

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

For more information, please contact:  
James Apostol  
617-495-4119  
[japostol@law.harvard.edu](mailto:japostol@law.harvard.edu)



# Contents

## 2011 Symposium on Building the Financial System of the 21st Century: An Agenda for China and the United States

Symposium Final Report . . . . .	7
Appendix	
Symposium Participants . . . . .	28
Symposium Agenda . . . . .	32
Sponsor Profiles . . . . .	34

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

[www.law.harvard.edu/programs/about/pifs/symposia/china/index.html](http://www.law.harvard.edu/programs/about/pifs/symposia/china/index.html).



# Symposium Final Report

The eighth annual China-U.S. Symposium was held at the Weill Center in Armonk, New York. Financial regulatory reforms in the U.S. and at the global level were ongoing but still unfinished and doubts remained about the sustainability of recovery in developed economies as well as the longer term and global effects of loose monetary policy. In this context, sessions addressed regulation and competitiveness of U.S. and Chinese capital markets, opportunities and challenges in cross-border investment between the U.S. and China, the future of the dollar and the RMB in the global financial system, and RMB-denominated bond markets.

## Topic 1

# Regulation and Competitiveness in the U.S. and Chinese Capital Markets

In Topic 1, participants assessed recent changes in capital markets and regulatory frameworks in China, the U.S., and globally. Participants saw significant development in Chinese financial markets, including in Hong Kong. There was considerable discussion of whether regulatory reforms in the developed markets had addressed the right problems and whether those reforms would have a negative impact on their competitiveness. The final major topic of discussion was global coordination, with questions being raised about the merits of both the substance and the process.

---

### EVOLUTION OF CHINA'S FINANCIAL MARKET STRUCTURE

---

Participants observed that China's financial system had continued to change rapidly. While bank lending remained the predominant form of financing, some participants argued that rapid growth of direct finance had shifted China away from being a bank-based system. Others were more cautious, arguing that despite the growth of bond issuance, private sector firms were still largely constrained to gain access to credit through bank loans and informal lending markets.

#### Banking Sector

---

While much of the discussion of Chinese market structure focused on bond markets, there was also some discussion of bank lending. Chinese banks were seen as generally healthy and stable, but a number of participants expressed concerns about aspects of bank lending. In particular, they pointed to what they

saw as a conservative bias in the lending practices of Chinese banks. They argued that risk aversion and the existence of implicit government guarantees for SOEs made it difficult for private corporations (especially SMEs) to access the formal banking system, leading them to face higher interest rates through the informal sector or to forego investments. It was also noted that bank loans to the private sector tended to be short-term in nature, making it difficult to borrow in support of investment.

At the same time, some participants suggested that the environment for private sector borrowers was improving, due to the large amount of savings that banks needed to lend, improved risk assessment by banks, and various innovations. One such innovation cited was the initiation of trust lending.

One other set of issues addressed with regard to China's banking system was the possibility of future financial crises. A number of participants expressed the view that a number of new bubbles had developed in China and that their bursting would lead to new

non-performing loan problems. Some questioned whether Chinese authorities were prepared to deal with large-scale NPLs in the banking system. A related concern was expressed by some participants who felt that major Chinese banks were too big to fail, creating moral hazard problems. Other participants added that Chinese savers were increasingly unwilling to accept the possibility of any bank failures and suggested that “too small to fail” was as big a moral hazard problem in China as too big to fail.

## Bond Markets

---

There was considerable discussion of China’s bond markets in this session. Participants agreed that these markets had the potential to grow significantly, given the large pool of savings and the many companies that could benefit from direct debt financing. At the same time, they recognized that Chinese financial markets were still at an early stage in their development.

Participants noted that China’s bond market had grown a great deal in the last decade, but that issuers were primarily government and state-owned enterprises (SOEs). Corporate bond markets remained small and highly constrained. Thus, participants saw the need to develop bond markets for corporate issuers as particularly pressing. One reason offered was the need for corporations to be able to obtain long-term financing, which was not seen as easily available through the banking system. Various suggestions were put forward as next steps for developing this market. A number of participants emphasized the need for securitization to support mortgages, automobile purchases, and consumer finance. In addition, some pointed that the weakness of corporate bond markets made leveraged buy-outs (LBOs) very difficult, and argued that this was retarding corporate restructuring and economic growth.

Several participants also made the point that the lack of long-term financing options available to private companies disadvantaged them relative to SOEs. A similar problem was also noted with respect to size, with only the largest of the private corporations being able to access bond markets. Combined with the relative difficulty for small and medium-sized enterprises (SMEs) in obtaining bank loans, this was seen as creating obstacles to SME growth.

Participants addressed a variety of preconditions for the growth and quality of Chinese bond markets. One set of issues was related to interest rates. Many participants expressed doubt that bond markets could flourish under the condition of administered interest rates. They noted that improved bond markets were also important to the formation of yield curves and market prices, and that this would create both opportunities and challenges for monetary policy implementation. In addition, several participants expressed concern about the levels of Chinese interest rates, which they saw as too low, especially for depositors (“financial repression”). Price formation was seen to face two additional challenges. One was the difficulty of effectively pricing risk, which was also seen as one of the reasons that bond issuance was dominated by state-owned and large corporations. Additionally, participants noted lack of liquidity in Chinese bond markets due to the predominant strategy of buy-and-hold, which retarded the growth of robust secondary markets.

Another precondition that a number of participants raised for expansion of bond markets was increased variety of financial products, particularly derivatives. In addition to securitization, these participants argued that basic hedging instruments such as options and futures would be needed to increase liquidity of bond markets, which in turn would expand financing opportunities for private firms (including SMEs), lower rates on mortgages and car loans, and provide Chinese savers and institutional investors with the opportunity to match their investment time horizons with their needs. Others were more cautious. More generally, while they acknowledged the need of some investors to hedge with respect to currency or commodity price changes or to balance risk through standardized derivative products, they worried that speculators would dominate the markets in derivatives and potentially contribute to new bubbles and crises. However, not all participants agreed that there was a useful distinction to be made between hedging and speculation (as one put it, there is a speculator on at least one side of every trade) or that better results would be achieved if such a distinction could be made. In particular, they felt that market liquidity would suffer greatly if the distinction were to be enforced, making price determination more difficult, increasing bid-ask spreads, and thus reducing the ability of firms to hedge their investments.

Finally, it was noted that a variety of cumbersome regulatory restrictions also remained. One major one was the approvals process for bond issuance. Participants also pointed to restrictions on investments by foreigners (discussed at greater length in Topic 2) as retarding the development of bond markets.

## POST-CRISIS REGULATORY REFORM

---

**M**uch of the discussion of post-crisis regulatory reforms focused on U.S. financial markets, although some comments were made about China and some comparisons were made with other countries. Participants acknowledged that much of the impact of the reforms was yet to be seen, as rulemaking was still far from complete and phase-ins were ongoing. Still, many participants expressed concern about the direction and likely impacts of the reforms on financial market vitality and stability, as well as economic growth.

### Changing Principles

---

A key concern for a number of participants was the principles on which reforms were based. They questioned whether global standards were moving away from the previous emphasis on disclosure and liberalization toward a more interventionist perspective. One aspect of this was “activities and products control” (e.g., retention requirements, consumer protection, “Volcker Rules”) rather than focusing on prudential regulation. Also, the question was raised as to how the stability of the financial system should be ensured. Some participants argued that even in the U.S. and UK, there was an apparent shift toward trying to ensure the stability of the system as a whole by ensuring the stability of each individual financial institution (especially banks). They contrasted this approach to what they saw as a more sensible course of recognizing that financial institutions might fail, but seeking to make the system more resilient in the face of major financial institution failures. As an example, some cited what they saw as an excessive focus on increasing capital and liquidity in the banking system without accounting for the potential side effects or reducing credit availability. They saw this approach as stemming from excessive aversion to government

bail-outs. Some noted the previous example of Japan in the 1980s and 1990s demonstrated the dangers of defining systemic stability on the basis of stability of each individual financial institution.

A related issue was how best to deal with the issue of “too big to fail” (TBTF). Several participants felt that there was a gap between how different countries were seeking to address it. While the U.S. and UK reforms had focused on this as a problem, these participants felt that in much of Europe and in China and Japan, TBTF was not seen as a major problem—and indeed, that mega-banks and financial conglomerates might be seen in those countries as a stabilizing rather than destabilizing presence.

While much of the discussion focused on pros and cons of particular regulatory reforms, an important theme was whether reforms were even focusing on the right things. A number of participants expressed concern that, due to all the focus on specific activities and standards, insufficient attention was being paid to transparency and disclosure. They argued that in a market economy the first line of defense against irresponsible behavior should be market discipline, but that it had been deemphasized in favor of more interventionist rules.

Other participants worried that not enough attention was being paid to macroprudential regulation. They argued that the major causes of crisis were seldom to be found in the behavior of individual financial institutions, but rather in bubbles and herd behavior. With regard to the U.S. reforms, a number of participants noted with disappointment that regulatory fragmentation had not been meaningfully reduced, and indeed had in some ways been compounded (through the creation of the Consumer Financial Protection Bureau and the Financial Stability Oversight Council).

### Reforms in the U.S. and China

---

There was considerable discussion of the Dodd-Frank Act, which one participant characterized as the most comprehensive financial reform in U.S. history. Although most participants were positive about at least some aspects of Dodd-Frank, there were also many criticisms. A key concern among

many participants was uncertainty. With many rules still in the process of being decided, they argued that financial institutions could not adequately plan for how they would need to change their business plans to comply with the law. There was also a great deal of uncertainty about the effects of the new rules in terms of market liquidity, volatility, etc. This was seen as true not only for the rules that had yet to be decided, but also for new rules whose impact was not yet apparent. Also, given the comprehensiveness of the reforms, there were significant concerns about how the rule changes would interact with each other to shape markets.

Another major criticism of Dodd-Frank for many participants was that it was creating huge new costs for financial institutions operating in the U.S. in terms of regulatory burden and compliance costs. Moreover, a number of participants pointed out that some of the restrictions on specific business practices (e.g., the Volcker Rules) were forcing financial institutions to fundamentally change their business plans by having to eliminate certain business operations or create new firewalls between functions. They felt that these restrictions did not address problems that had actually contributed to the financial crisis and that they instead needlessly reduced internal synergies and imposed costs on financial institutions. Finally, some participants expressed considerable concerns over what they saw as the extraterritorial nature of some aspects of Dodd-Frank.

There was considerably less discussion about Chinese reactions to the global financial crisis. In general, participants agreed that the Chinese financial regulators were continuing to move in the direction of liberalization, as seen in the approval of new products and new entrants, although the pace had slowed somewhat. Despite the apparent discrediting of the liberal financial model in much of Europe and the U.S., participants observed that the Chinese government still agreed with the principles of the model and did not have an alternative model in mind. While participants saw China's actions in the wake of the crisis as responsible and measured, however, some felt that the pace of reforms had slowed excessively and urged Chinese authorities to accelerate their efforts. There was also a concern expressed by a number of participants that, while Chinese financial regulation and supervision

was appropriate to its level of financial development, major gaps remained in regulating systemic risk, in terms of the potential for both bubbles and a large-scale non-performing loan problem if the bubbles were to burst or growth were to slow.

## GLOBAL ISSUES

---

Participants noted that global standards and decisions also had profound implications for financial regulation in U.S. and China, and thus for their competitiveness as market centers as well. Discussion of global issues centered around Basel III decisions on capital and liquidity, the designation of global systemically important financial institutions (G-SIFIs), problems of cross-border resolution of internationally active financial conglomerates, and the G20 process itself.

### Global Standards

---

Emerging global standards on capital adequacy and quality were a topic of considerable interest to participants. A number of participants echoed the concerns expressed by U.S. banks that stricter capital standards could have severe unintended consequences in the form of reduced credit provision at a time of economic weakness and the possibility that banks would opt for riskier business practices in order to improve return on equity. These effects would be stronger for SIFIs, given their higher capital requirements. Other participants were less concerned, however. They argued that enhanced capital requirements could contribute to reducing the likelihood of future financial crises and that moreover the effects on lending were as yet undemonstrated.

There were also questions about the universal applicability of capital standards. While most participants appeared to agree that uniformity might be necessary to avoid competitive distortions, others suggested that different national circumstances should be taken into account. For example, they noted that Chinese banks had simpler operations than the major money center banks and were less interconnected with the global financial system. Moreover, they noted the reluctance of Chinese authorities to allow banks—particularly large state-owned banks—to fail. Thus, some felt that looser capital standards should be applied to Chinese

banks (as well as to banks in a variety of other emerging markets). Most participants were resistant to this argument. Some noted that Chinese regulators have strongly supported tougher requirements. Others brought up the example of Japan in the 1980s, which had resisted the push for the original Basel standards on just such grounds, only to suffer from a wave of bank failures resulting from non-performing loans over the next decade.

A different criticism of the Basel process was that it focused too much on capital and not enough on liquidity. Advocates of this position noted that many of the financial institutions that had failed in the global crisis had done so because of the illiquidity of many of their assets rather than necessarily their quality. Other participants pointed out that the Basel Committee had not ignored liquidity, and was already well underway in its work on liquidity standards. In contrast, some participants expressed concerns about the possibility of creating excessively restrictive liquidity standards. They argued that liquidity issues should be handled at the systemic level, through central banks' lender of last resort function, rather than requiring each individual bank to ensure that it would never need liquidity assistance. They also argued that strict liquidity standards would likely have the effect of reducing banks' willingness to engage in long-term lending, and offered some evidence that the duration of global bank lending had shortened considerably for just that reason.

#### G-SIFIs

---

In their discussions of global regulation, participants also considered the movement toward designating global systemically important financial institutions (G-SIFIs). While the G20 had emphasized the importance of paying special attention to the behavior of such financial institutions, opinions at the Symposium were mixed. Some participants were strongly supportive of the concept and of the process by which the Basel Committee and Financial Stability Board were working on it. They argued that failures by G-SIFIs would pose a particular threat to the global financial system and that there should therefore be tougher capital requirements for them to help buffer the system. They also felt that the process of generating criteria for designating G-SIFIs had been objective and evidence-based.

Other participants strongly disagreed. They cited the definition of global systemic importance as a major conceptual hurdle. This concern was particularly strong with regard to interconnectedness, as these participants argued that there was no commonly accepted measure of interconnectedness, nor any clear correlations between potential measures and risk to the global system. They also felt that designation of non-banks would be particularly fraught with conceptual and practical problems, and expressed doubt that it would be helpful to demand higher capital requirements of non-banks. Even for banks, some participants were very skeptical that regulators could effectively draw distinctions between G-SIFIs and banks that were almost at the G-SIFI level, let alone draw distinctions among G-SIFIs and assign the right additional capital buffer of 1-2.5% envisioned by Basel.

A separate criticism was raised over the naming of G-SIFIs. Some participants agreed that there needed to be principles for more closely scrutinizing major financial institutions, but felt that by naming individual institutions publicly, there could be market-distorting effects both for G-SIFIs (creating moral hazard arising from assumptions of too big to fail) and for major financial institutions not designated as G-SIFIs (which might lose the confidence of markets for the same reason). Others objected that since a list would need to be made based on the criteria being developed, it would be dangerous not to release the names even if it were possible to suppress the list.

Finally, some participants raised the question of what would happen if national regulators chose not to accept designations of local financial institutions as G-SIFIs, and thus delegitimized the whole process. For example, there was some speculation that large local financial institutions in China or other emerging markets could be designated by the FSB as G-SIFIs on the basis of size, but that local authorities might reject that designation on the basis that they were not deeply interconnected with the global system. Some suggested that a more serious problem would be the possibility that a national regulator might decide not to enforce stricter regulation on their G-SIFIs in order to create competitive advantage for their own major financial institutions. Other participants rejected both possibilities, on the grounds that the G-SIFI designation process in Basel and the FSB was actually based

on consultations with national regulators. This was not reassuring to skeptics, however, who suggested that some European regulators might seek to protect their national champions by preventing their designation as G-SIFIs in the first place.

A third aspect of global regulation on which there was brief discussion was the problem of cross-border resolutions of failed financial institutions. (This was seen to be of limited relevance to Chinese financial institutions.) Despite the importance that many attached to this issue, there was little optimism expressed that national regulators had come up with an effective process for managing such resolutions and preventing ring-fencing of assets in the event of an actual failure.

### G20 Process

---

Finally, there was considerable discussion of the G20 process itself. One issue was representation. While participants welcomed the expanded representation of key emerging markets such as China, some argued that the regulatory reform agenda appeared to be focused on U.S.-EU concerns (rules on derivatives, central clearing, cross-border resolutions, interconnectedness) rather than ones that were more reflective of the concerns of Chinese and other emerging markets. They questioned whether China had an effective voice despite its participation and if indeed the Chinese government actually wanted a voice. Other participants strongly disagreed with this assessment. They noted that on issues of central importance to China (e.g., crisis-era stimulus measures, macroeconomic imbalances, exchange rates), China had been quite proactive. Many of the regulatory issues, in contrast, were more relevant to the U.S., Europe, and Japan. Nonetheless, it was noted that Chinese officials had been very active in concrete discussions in the Basel Committee, FSB, and elsewhere, where the real work of the G20 was being carried out.

A separate criticism of the G20 process was that it was proving to be as ineffective as previous coordination attempts, and that the size and diversity of its membership did not augur well for future effectiveness once the crisis was out of the way. Skeptics noted that the G20 had a hard time reaching decisions on matters where there was significant disagreement and that it had no way of imposing any decisions it did make

on national governments. Others were more optimistic, pointing out that much of the substantive work of the process, particularly with regard to regulatory issues, was being carried out in less public but more effective forums such as the FSB.

## EFFECTS ON COMPETITIVENESS

---

While much of the discussion in Topic 1 was about regulation and process, participants also debated effects on competitiveness of both financial market centers and financial institutions. Some predicted a weakening of U.S. competitiveness in both respects, with increasing advantage going to Hong Kong and mainland China; others were skeptical of the likelihood of a U.S. decline.

### Competitiveness of Financial Market Centers

---

Much of the discussion of financial market center competitiveness focused on the U.S. A number of participants expressed pessimism about the future prospects of U.S. markets, on the basis that overregulation, uncertainty, and populist politics had created a hostile environment for financial services. In addition to changes occurring under Dodd-Frank, they cited ongoing problems including regulatory fragmentation and the prevalence of shareholder lawsuits as problems for U.S. competitiveness. Others were less pessimistic. Some argued that the regulatory framework, rather than just stifling innovation, would actually contribute to U.S. competitiveness by reducing crises and improving behavior of financial institutions. Others agreed with the pessimists that regulatory changes would have negative effects on U.S. markets but felt that since overregulation was apparent throughout the world (especially the UK and the rest of Europe), the U.S. would not lose competitiveness as a financial market center in a comparative sense and might even gain ground. Meanwhile, some questioned whether the U.S. market was as heavily regulated as often supposed—they suggested that recent reverse mergers in the U.S. by Chinese firms had demonstrated that U.S. regulations might actually be more lax than in China. Others countered by noting that firms that abused the reverse merger loophole were likely to find themselves heavily penalized by regulatory authorities or by shareholder lawsuits.

Participants also discussed prospects for Hong Kong and mainland China at length. There appeared to be a general agreement that Hong Kong would benefit considerably from the global regulatory changes, as it continued to have effective but light-touch regulation and extraordinary openness. It was noted by many participants, for example, that Hong Kong had become the center of the global IPO market. (There were, however, some participants who saw Hong Kong's competitiveness as likely to be reduced over time in favor of Shanghai as Chinese regulations on financial activities and capital mobility were relaxed.)

Some participants also saw possible advantages for China to improve the attractiveness of mainland markets. They argued that the vast pool of savings and attractive investment opportunities in China would ensure its importance as a financial center over time; moreover, they pointed to the stability of the Chinese banking system and the commitment of Chinese regulators to liberalization as factors in its favor. Others felt that there would be significant limits to China's capacity to be an attractive financial center for some time to come. They noted that Chinese financial markets were still quite undeveloped in terms of financial products, entrance, capital mobility, interest rate and exchange rate liberalization, rule of law (e.g., bankruptcy laws), and transparency and disclosure. They also suggested that China might well experience new crises based on bubbles and bad loans that would weaken the case for stability. Thus, while they saw great potential for Chinese financial markets, they did not feel that China would have the ability to leverage U.S. and European overregulation into serious financial market center competitiveness for some time to come.

### Competitiveness of Financial Institutions

---

Participants also discussed the implications of new regulations for the competitiveness of financial institutions. A major concern for some was that U.S. laws (e.g. the Volcker rule) would disadvantage U.S.-based financial conglomerates versus their international competitors. Others saw significant competitive implications of regulations for different types of financial institutions—in particular, strict new rules on banks in the form of capital and liquidity standards (and

possibly compensation standards) were seen as likely to advantage nonbanks, especially hedge funds and private equity. There was also discussion of the effects of SIFI designation. Some participants argued that being designated a SIFI or G-SIFI would be a competitive advantage despite the expanded capital buffer because the implicit guarantee of too big to fail would reduce capital costs and risk to counterparties. Others strongly disagreed, noting that few if any financial institutions were clamoring to be designated as SIFIs.

Finally, some participants raised the possibility that major Chinese banks might benefit particularly from the changed environment on the basis that markets would understand that the Chinese government would never let them fail. Combined with artificially low deposit interest rates, this might give them a major advantage in expanding relative to their U.S. and European counterparts.

## Topic 2

# Opportunities and Challenges in Cross-Border Investment between the U.S. and China

Topic 2 considered opportunities and challenges in cross-border investment between China and the U.S. Participants were generally upbeat about both the effects to date and future prospects for cross-border investment, but also raised a number of issues that would require serious attention to ensure a positive and reciprocal relationship going forward. U.S. participants pointed to continuing restrictions in China, including the issue of currency convertibility. Chinese participants expressed concern that national security and other restrictions on FDI into the U.S. were having a chilling effect on the efforts of Chinese firms. They also worried about what they saw as a negative political climate for Chinese firms doing business in the U.S.

---

### THE BIG PICTURE: MUTUAL BENEFITS

---

Participants agreed that cross-border investment between China and the U.S. had been highly mutually beneficial in the past and should continue to be so in the future. They also recognized that the dynamics of cross-border investment were changing significantly and that the future held both opportunities and challenges.

#### Chinese Inward FDI

---

Looking to the past, participants noted the importance of inward FDI in China's economic rise. Foreign investors had provided essential capital, technology, business models and practices, and networks that had contributed to China's transformation into a global

manufacturing hub. At the same time, the Chinese market was seen to have been a great opportunity for many U.S. (and other foreign firms) as they built global supply chains, supplied goods and services to China's growing economy, and reduced costs of manufactured goods for U.S. consumers.

Looking to the future, participants discussed several questions with regard to inward FDI to China. According to some participants, there was a growing debate in China as to whether the country still "needs" foreign money, which most saw as a potentially dangerous argument. While they acknowledged that inflows had become less important in net terms than they had been in the past, they pointed out that there were still many opportunities for foreign investors to contribute to productivity growth through capital and technological upgrading, improved business practices,

and networks. Some participants suggested that a better question than whether foreign money was needed would be how it could contribute to rebalancing and upgrading the Chinese economy. These participants felt that there were still many opportunities for mutual benefit, including in services (such as distribution) and in facilitating the shift from low-wage labor-intensive manufacturing to manufacturing based on skilled labor and high technology. Participants by and large agreed with this analysis, but expressed concern that the logic may lead to restrictions on investments seen as not contributing to those national goals. In general, participants felt that companies should be able to decide freely where and how to direct their investments.

### Chinese FDI into the U.S.

Participants predicted that Chinese outward FDI to the U.S. was on a steep upward trajectory. Expanded Chinese FDI to the U.S. was seen as a natural outgrowth of the accumulation of massive dollar reserves as well as the increasing global presence and capabilities of Chinese firms. With regard to China's vast dollar assets in particular, participants recognized that it would be neither equitable nor sustainable to restrict China to investing its surpluses in Treasury bills and other financial assets; FDI was seen as an obvious next step.

As with the case of U.S. FDI in China, participants saw this new trend as having significant opportunities for mutual benefit. For Chinese firms, FDI in the U.S. was seen to offer opportunities for upgrading capabilities (e.g., by acquiring firms with desirable technology and networks) as well as to gain greater access to the world's largest economy. Accordingly, participants predicted shifting patterns of Chinese FDI in the U.S., away from commodities and toward higher value-added manufacturing as well as services including finance, distribution, and real estate. Participants also saw potential opportunities for the U.S. in the form of employment and the creation of new business linkages with Chinese customers and suppliers.

Despite the generally optimistic outlook, however, participants expressed some concerns about existing and potential obstacles to investment on both sides. They cautioned that these issues needed to be addressed as soon as possible.

Participants discussed both U.S. direct and portfolio investment into China. While some common themes arose, for the most part these discussions addressed very different concerns.

### Direct Investment

Participants agreed that the scale of Chinese inward FDI was unprecedented for an emerging market and that this was an indication that China was unusually open to FDI. However, it was pointed out that a variety of barriers and obstacles remained for U.S. firms seeking to invest in China. Some of these problems cited had to do with explicit regulations, such as sectoral restrictions on investment. For some investors, there were also concerns arising from China's indigenous innovation policy, which they feared would threaten their intellectual property. Capital inconvertibility was also seen as a major problem, particularly for investors such as venture capitalists and private equity firms, since it limited their ability to exit investments.

Other common concerns had to do with procedural issues. A number of participants stated that the processes for gaining approval for investments was often not transparent, even where regulations appeared clear. They also noted that in many cases multiple approvals were necessary, including ones from local authorities, and that this could lead to confusion and contradictions in implementation. A broader set of concerns had to do with legal infrastructure and rule of law (e.g. enforcement of contracts). However, some participants noted that foreign investors had for many years enjoyed privileged legal status and argued that what they perceived as Chinese backsliding from rule of law was in fact a shift toward their receiving legal treatment more like local businesses.

A final concern with respect to FDI in China was what some participants saw as a shift toward privileging national champions and indigenous development of firms and technologies. Some participants noted that it was in some cases difficult to enter sectors dominated by large (especially state-owned) firms, and expressed concern that this tendency was spreading beyond such traditional areas as resources, telecommunications, and banking. China's recent efforts to strengthen

indigenous innovation policies were also seen by some participants as a means of giving advantages to domestic firms, which could use foreign firms' technology to become competitors. Other participants disagreed, noting that the indigenous innovation guidelines had been revised so as not to disadvantage foreign firms.

### Portfolio Investment

---

A different set of issues was emphasized with regard to portfolio investment, where formal restrictions were seen as more intrusive than in FDI. One of the key issues was limits on participation by foreign firms in local markets. Participants noted that the inconvertibility of RMB meant that strict rules remained on how much money could be moved in and out of the country. They also pointed to restrictions on foreign participation in specific financial products and markets, such as A-shares and interbank bond markets, despite advances such as allowing foreign financial institutions to market RMB investment funds in China. Accordingly, a number of participants advocated a significant expansion of the Qualified Foreign Institutional Investor (QFII) program, under which foreigners can make limited portfolio investments in China. They called for both better access to markets and bigger quotas for foreign funds. While the size of the QFII program was acknowledged by many participants as an obstacle to foreign portfolio investment in China, a number of participants saw it primarily as a short-term issue since the entire QFII system existed only because of RMB inconvertibility, which they predicted would disappear over time.

There was also some discussion of the Qualified Domestic Institutional Investor (QDII) program that allows Chinese investors to make portfolio investments abroad. Unlike the QFII program, which was seen as effectively administered, some participants stated that the QDII approval process was cumbersome and often unpredictable. They felt that this significantly reduced the usefulness of the program. At the same time, a number of participants questioned whether it really mattered—they argued that there would be limited demand to utilize the QDII program as long as domestic investors anticipated appreciation of the RMB. Others felt that there was significant appetite among retail investors for foreign investment opportunities. As with QFIIs, participants agreed that the QDII system was a

temporary one that was related to RMB inconvertibility, which they expected would disappear over time.

Finally, there was also discussion of the changing landscape for private equity in China, in particular the emergence of local players. There was a general agreement that this would be a growth area in Chinese finance for some time to come. While most local private equity firms were still relatively new and inexperienced and legal infrastructure was not yet fully developed, participants reported that there was great interest in private equity funds among local investors. Indeed, some reported that raising money locally was easier than finding attractive investment opportunities. In this regard, it was noted that some Chinese private equity firms were actually interested in investing abroad. Some suggested that the easy access to money domestically made it less attractive for local private equity firms to cooperate with foreign firms. Still, a number of participants saw opportunities for fruitful cooperation between foreign and Chinese private equity firms—while Chinese private equity firms were better placed to raise money locally and evaluate domestic investment prospects, foreign private equity firms could contribute expertise in structuring deals and managing investments.

### CHINESE FDI IN THE U.S.

---

Much of the discussion in Topic 2 focused on Chinese FDI in the U.S. Though still at relatively low levels, participants expected that Chinese FDI would increase dramatically, as a result of the need to recycle China's vast surpluses and the growing global involvement of Chinese firms. While this was seen as a natural and necessary development that could be mutually beneficial, participants also highlighted a variety of concerns that could retard Chinese FDI into the U.S. and contribute to bilateral frictions.

#### Is the U.S. Open to Chinese FDI?

---

A fundamental question asked by participants was whether the U.S. was really open to Chinese FDI. Many participants answered in the affirmative. They argued that openness was demonstrated by the fact that the U.S. was the world's largest host to FDI. They also noted that, unlike many countries, the U.S. had

no restrictions on investment in specific sectors or on degree of ownership of U.S. assets (e.g., restrictions on wholly-owned subsidiaries or real estate). Others were less convinced, particularly with regard to Chinese ownership. They expressed particular concern over restrictions based on national security, ownership of financial institutions, and what they saw as an often hostile political environment.

A perennial Chinese complaint about the U.S. investment climate has been the difficulty of setting up or acquiring banks in the U.S., particularly for state-owned banks. While participants noted that progress had been made and some Chinese banks had been able to start operating in the U.S., frustrations remained over the approvals processes. Some participants noted the position of U.S. regulators that the approvals process is non-discriminatory and there were some misunderstandings about how the process worked. For example, Chinese banks have so far been approved to establish branches in the U.S. on a “working towards” basis, which offered progress, but taking over a U.S. bank (even one that was already foreign-owned) would require full certification. Other participants felt that Chinese banks did indeed face discriminatory treatment compared to banks based elsewhere. Some nonbank financial institutions also expressed frustrations about doing business in the U.S. For example, it was noted that CIC’s North American office was located in Toronto rather than in New York as a result of regulatory obstacles, even though over half of CIC’s investments were in the U.S. Another Chinese complaint had to do with the costs of doing business in the U.S., including legal fees.

### CFIUS and National Security

---

Of all the issues facing Chinese investors in the U.S., perhaps the most contentious was the Committee on Foreign Investment in the United States (CFIUS) process. While accepting the legitimacy of national security reviews, many participants were critical of the U.S. system for what they saw as its non-transparency and excessive reach. They stated that there was great confusion among Chinese firms as to how the process worked and what the criteria were for approval or disapproval, leading to a chilling effect on Chinese FDI in many areas.

Some participants defended CFIUS. They noted that U.S. laws were unusually open in not imposing broad sectoral bans on foreign direct investment. Instead, review was only triggered in the event of national security implications and did not apply to the majority of proposed acquisitions by foreigners. They noted that there were few actual denials of investment approval, and that in many cases CFIUS concerns could be addressed by modifying the scope of an acquisition. Moreover, they pointed out that CFIUS only applied to acquisitions, not to greenfield investments. They also argued that the process had been significantly streamlined to lead to swifter decisions and that politicians were excluded from CFIUS consultations. Thus, they felt that Chinese concerns about CFIUS were overstated.

Critics of CFIUS were not convinced by these arguments. They argued that decisions about national security implications were not based on criteria that were clear to outsiders, and that explicit sectoral restrictions would be easier to deal with. They also decried the secretive nature of CFIUS proceedings and decisions, noting that there was no case law available and that it was impossible to get tentative preapprovals of proposed deals before actually entering the CFIUS process. In the absence of a public record, uncertainty and rumors about the process were rife, making it less attractive for Chinese firms to commit resources and reputation to pursue investments that might be disapproved in the end. Supporters of CFIUS agreed that Chinese firms may prefer to have clear case law or opportunities for preapproval, but pointed out several factors that they said made it impossible. By law, they noted, CFIUS decisions are not public, in order to protect corporate confidentiality as well as to avoid publicizing sensitive security considerations. Similarly, they argued preapproval would be impossible to implement in practice, since CFIUS is an inter-agency process and that the national security determinations are made by defense and intelligence officials rather than Treasury officials.

In addition to the issues of uncertainty in CFIUS criteria and process, a number of participants described a sense among Chinese firms that they were being unfairly singled out. While defenders of the process responded that it was not directly aimed at China, several participants pointed out that China was in

a nearly unique position as a major investor in the U.S. that was at the same time not an ally. Moreover, most Chinese firms were not in a position to develop their own cutting-edge technologies, and thus would need to obtain them from U.S. and other foreign firms, whether by licensing or reverse-engineering the technologies or by acquiring the firms themselves. Other aspects of Chinese economic structure and activity also contributed to U.S. concerns over national security. A related issue was continuing U.S. controls on high technology exports to China, which was also seen as restricting Chinese acquisitions of U.S. firms.

Some participants noted an increasingly dominant political narrative in the U.S. based on experiences of intellectual property theft by Chinese firms as well as the dominance of state ownership of major companies. This narrative saw Chinese firms as agents of a hostile government intent on stealing national security secrets and undermining the technological lead of U.S. firms.

#### Political Climate

---

A related concern of Chinese firms was what they saw as an anti-Chinese political climate in the U.S. Several participants cited instances of politicians pressuring Chinese firms not to invest in specific projects. Participants agreed that this was an unfortunate phenomenon and discussed ways to reduce such political pressures (see below). At the same time, a number of participants sought to draw a clear distinction between political rhetoric and actual policy—they noted, for example, that some high-profile Chinese acquisition attempts, such as CNOOC-Chevron, had been voluntarily withdrawn due to public political pressures rather than because they had been rejected by CFIUS. (Indeed, most participants with CFIUS experience appeared to agree that the Chevron deal would have been approved if it had gone through the process.) Thus, they encouraged potential Chinese investors to distinguish between actual barriers to investment and statements of politicians who had no direct involvement in approvals.

There was some discussion about how to reduce resentments on both sides about barriers to investment. One suggestion was that China and the U.S. pursue a bilateral investment treaty that would clarify some of

those matters and create a mechanism for handling complaints. Another was that the two governments should catalog complaints by their own firms to discuss at the bilateral level, for example in the Strategic and Economic Dialogue. With regard to CFIUS, many participants agreed that it should be possible to improve communications with Chinese firms and officials about how CFIUS works, while still respecting confidentiality concerns. (Incidentally, it was noted by some participants that China was developing its own national security review process for FDI, analogous to CFIUS. They expressed the hope that the Chinese version would not provoke as much unhappiness among U.S. firms as the U.S. version had provoked among Chinese firms.)

#### IMPROVING THE ENVIRONMENT FOR CHINESE FDI IN THE U.S.

---

A final set of issues addressed in Topic 2 focused on popular feelings about Chinese FDI into the U.S. Participants agreed that negative images of Chinese firms could contribute to a political environment in which new restrictions might be imposed or in which popular resentments made it difficult for Chinese firms to do business. They felt that it was important to reduce such feelings in order to maximize opportunities for mutual benefit from interdependence between the two countries. They drew in part on the experiences of Japanese firms investing in the U.S. in the 1980s and 1990s to make suggestions for both Americans and Chinese about how to improve the environment for Chinese FDI in the U.S.

One point made by a number of participants was that the politics of Chinese FDI in the U.S. were inherently difficult. In addition to the national security concerns already noted, they emphasized that Chinese FDI was growing in the context of economic hard times in the U.S. that was accompanied by a popular sense that U.S. manufacturing jobs had been lost due to Chinese competition. In this context, they felt it was not surprising that Chinese firms might meet popular resistance as they entered the U.S.

One lesson that many participants drew from the Japanese experience of the 1980s and 1990s was the need to engage local governments and businesses.

While politicians at the national level could score rhetorical points by attacking Chinese investment, they argued, local governments would be more welcoming if they believed that Chinese FDI would bring with it jobs and expanded tax bases. Local governments and businesses could in turn become a potent political counterweight to criticisms by members of Congress, since those members' jobs depended on keeping their constituents happy.

### Changing Narratives

---

Some participants suggested that another way in which to change the narrative about Chinese FDI to a more positive one would be to emphasize the benefits of FDI (more stable, job-creating) as opposed to less stable portfolio investment. Given the size of Chinese holdings of U.S. Treasuries and the insecurity of many Americans about dependence on Chinese lending, they felt that the stability argument could have a positive effect.

A number of participants emphasized that more good examples of Chinese FDI benefiting U.S. communities and workers (e.g., Wangxiang Auto or Lenovo) would be necessary to rewrite the narrative of job-loss and technology-loss due to Chinese corporate behavior. There were also suggestions that Chinese firms could be seen as contributing to the U.S. economy by involving themselves in infrastructure development there. While expressing some optimism that more good examples could be found, some also cautioned that the different status of Chinese firms today as opposed to Japanese firms in the 1980s might make that more difficult. In particular, they noted that Chinese firms were most in need of resources and technology. Thus, Chinese FDI was seen as less likely than Japanese to contribute to manufacturing employment and more likely to focus on resource extraction or obtaining U.S. technologies to make their facilities in China more productive and more competitive relative to U.S. firms.

### Learning to Do Business in the U.S.

---

Finally, participants felt that Chinese firms were just as unprepared to handle doing business in the U.S. as the U.S. public was to welcome Chinese firms. They

encouraged Chinese firms thinking of investing in the U.S. to fully understand U.S. management practices, legal system, and cultural issues. Several participants also emphasized the importance of localization and trusting local managers' judgment about how to do business in the U.S., noting that many of the most successful foreign businesses in China had largely turned over decision making to local management. Participants were generally optimistic about the long-term ability of Chinese firms to adapt to the U.S., although they predicted that there would be negative cases as well.

## Topic 3

# The Future of the Dollar and the RMB in the Global Financial System

Topic 3 addressed the future of the dollar and the RMB in the global financial system. Participants discussed the likely trajectory of internationalization of the RMB, while also questioning whether the U.S. dollar would remain the world's key currency. Views were mixed on the prospects for both currencies. Differences of opinion were partly premised on contrasting views of the global macroeconomic situation, including the relative likelihood of economic rebalancing in the U.S. and China, as well as the potential effects of quantitative easing, massive fiscal deficits, and political gridlock on international appetite for the dollar.

---

### THE RMB IN THE GLOBAL FINANCIAL SYSTEM

---

Participants noted that Chinese authorities had taken a variety of recent measures to increase international use of the RMB, including a series of bilateral trade settlement agreements and allowing a variety of RMB-denominated financial products in Hong Kong (including bank accounts, CDs, bonds, IPOs, insurance products, etc.). These measures, combined with high-profile statements by Chinese leaders about their unhappiness with the dollar-dominated global monetary system, suggested to a number of participants that the RMB was on its way to becoming a major global currency. While generally agreeing on the long-term likelihood of the RMB becoming an important international currency, participants were divided on the timing of that shift, as well as the cost-benefit calculation and conditions for internationalization.

One area of dispute was over the presumed costs and benefits of RMB internationalization. Some

participants emphasized the benefits for China, especially in terms of reducing dependence on the dollar. With the RMB as an international reserve currency, they argued, Chinese firms would be able to invoice and trade in RMB and thus not be as vulnerable to fluctuations in the dollar-RMB exchange rate. Meanwhile, China would not need to accumulate vast dollar reserves that would then be vulnerable to dollar depreciation, while it could benefit from seigniorage as other countries built up RMB reserves. Also, several argued that the central role of the dollar had been destabilizing to the global financial system, as a result of either irresponsible U.S. macroeconomic policies (made possible by apparently unlimited ability to borrow in its own currency) or the Triffin Dilemma.<sup>1</sup> Finally, several stated that reserve currency status could be seen as a reflection and instrument of state power.

---

<sup>1</sup>The Triffin Dilemma is based on the observation that, in order to supply sufficient liquidity of the international reserve currency (i.e., the dollar), the U.S. would have to run continuing current account deficits. However, over time, the growth of U.S. external debt would erode international confidence in the ability of the U.S. to pay back in full, and thus in the value of the dollar.

Other participants saw the balance of benefits and costs differently. They argued that the economic benefits of internationalization were likely to be limited, while significant costs would ensue in terms of likely appreciation of the RMB—and more generally, loss of control over China’s exchange rate environment. Moreover, they pointed out that for internationalization of the RMB to take hold, Chinese authorities would need to allow convertibility and make significant changes in China’s financial system; while they saw those as important steps for Chinese financial development over the long term, they felt that the costs of haste would be high. Finally, they felt that Chinese monetary authorities would not be prepared for some time to accept the consequences of rapid RMB appreciation over which they would have little or no control.

This analysis highlighted some differences in participants’ understandings of the conditions for internationalization of the RMB, other than full capital and current account convertibility. Some participants argued that upward pressures on the RMB would continue for the next decade or longer, creating incentives for foreigners to hold RMB. With the development of large offshore markets, the pressure to liberalize capital convertibility would become irresistible. Moreover, several argued that the aging of Chinese society and the need to rebalance growth would shift Chinese policymakers’ attention away from creating jobs in export-oriented manufacturing. Some participants predicted that RMB internationalization would happen faster than anyone’s expectations once the government decided to support it.

Other participants were skeptical of these predictions. They argued that China must reach a much higher stage of financial sector development before it would be an attractive reserve currency. They noted among other obstacles that Chinese bond markets remained relatively small and illiquid, that hedging instruments were limited, that the quality of information on financial assets was far from complete, and that interest rates were still strictly administered. Unlike participants who felt that internationalization would proceed quickly and efficiently once the decision was to introduce full convertibility, they argued that further financial development would be a precondition for introducing convertibility safely.

Finally, there was some disagreement over what the role of government will be in internationalizing the RMB. Some participants saw the market logic of internationalization as overwhelming, as more foreigners would wish to hold appreciating RMB and more Chinese firms would want to invoice and trade in RMB. Thus, they predicted that once the government made a decisive move in favor of expanding the RMB’s international role, internationalization would happen quickly. Others were skeptical, arguing that currency internationalization was a much more complicated process, in which network effects and market confidence in a country’s political and economic system played a major role. They noted that other currencies, such as the Japanese yen, had failed to satisfy their goals for currency internationalization despite proactive policies to encourage international use as well as open, deep, and liquid financial markets. Even the dollar had taken many years to become the global reserve currency, even though the U.S. economy had been the world’s largest since the 1870s.

### The Future of the Dollar

---

Most of the discussion of Topic 3 focused on prospects for RMB internationalization, but there was also some discussion about the role of the dollar. Some participants predicted a significant drop in the international role of the dollar as a result in part of the rise of emerging economies such as China and India, but especially because of what they saw as the likelihood of continued U.S. macroeconomic mismanagement and economic stagnation. They noted that the value of the dollar was on a long-term downward trend and predicted that a time would come when global holders of dollars would lose confidence in the dollar’s usefulness as a store of value. When that time came, there could be a massive sell-off of dollars. Even if the shift were more gradual, they predicted a lack of appetite for dollars that would increase U.S. borrowing costs and reduce the “exorbitant privilege” of having the key currency.

Other participants predicted that the dollar would remain the world’s predominant currency for many years to come, although increasingly it would be a part of a global multicurrency world. They argued that network effects meant that the transaction costs of doing business in dollars would remain

significantly below those of doing business in other currencies. They also pointed to weaknesses of potential challengers. For the euro, they felt that separation between central banking and fiscal policy, lack of central political authority, and fragmented euro-denominated bond markets would be major obstacles to challenging the role of the dollar. For China, as noted above, they pointed to the relatively rudimentary level of financial market development and monetary policy implementation. Finally, participants appeared to be unanimous in their skepticism about the idea that SDR or other synthetic global currency could replace the dollar or other sovereign currencies, due to the complexities and costs of creating financial markets in them.

One point of consensus was that it would be essential for U.S. policymakers to chart a course toward fiscal sustainability and responsible macroeconomic management. Regardless of whether participants predicted a precipitous shift away from the dollar or a gradual decline in its international role, they felt that currency competition would mean that the U.S. would not be able to enjoy its “exorbitant privilege” of unlimited low-cost borrowing as global investors gained access to a larger variety of credible investment options. A number of participants also emphasized that increased market discipline on the U.S. would be a positive development for the global economy, as the existing system had contributed to financial crises and volatility.

## Topic 4

# RMB-Denominated Bond Issuance and the International Role of the RMB

In the Symposium’s final session, participants discussed the growth of RMB-denominated bond markets. Discussion in this session concentrated mainly on the burgeoning offshore CNH (“dim sum”) markets still in Hong Kong.

Participants described several distinctive characteristics of the CNH markets. Bond issuance accelerated rapidly in the past year. CNH bonds were primarily issued by Chinese or Hong Kong corporates and financials. The bonds have tended to be short-term and in many recent cases have been issued without ratings (particularly for Chinese firms). Nonetheless, interest rates have been consistently low in comparison with the rates on panda bonds issued in mainland China and with Hong Kong dollar rates. This was seen as RMB-denominated bonds extremely attractive to issuers, including non-Chinese ones.

Another set of distinctive characteristics revolved around the relationship between the Hong Kong market and the mainland market. Participants noted that restrictions remained on moving RMB raised in Hong Kong back to the mainland, complicating the benefits of CNH issuance for companies looking to finance their mainland operations. While the process for gaining approval for moving funds back to the mainland was described as efficient, it was also described as time-consuming, as it included approvals from both SAFE and the PBOC. Meanwhile, the continuing segregation of the onshore and offshore RMB bond markets was seen as creating considerable confusion—as one participant put it, RMB-denominated bonds were characterized by “one currency, two interest rates, and three yield curves.” (Actually, rather

than three yield curves, the point was that there were three separate scenarios facing RMB bond issuers—one for issuers in China who used the proceeds in China, one for issuers in Hong Kong who kept the proceeds in Hong Kong, and a third for issuers in Hong Kong who were then able to transfer funds across the border to use in China.) The lower rates available in the Hong Kong markets, combined with the difficulties of moving funds across the border, would also mean that there would be a competitive advantage for firms that were better at moving RMB funds back in to China.

Participants attributed the growing popularity of the CNH market to several factors. At the general level, many believed that it reflected increasing international demand for RMB-denominated assets, which was also seen as contributing to RMB internationalization. It was also noted that the Hong Kong market was being used by Chinese authorities as an experiment to gauge likely reactions to more internationally open RMB bond markets in Shanghai.

Other participants emphasized situational factors. They noted that around ten percent of bank deposits in Hong Kong were currently denominated in RMB, even though deposit interest rates were very low. (The reason participants gave for the popularity of RMB assets in Hong Kong despite low interest rates was

that it was a way of speculating on RMB appreciation.) Given the lack of investment alternatives and the large stock of investable RMB in Hong Kong, RMB account holders were eager to purchase CNH bonds even though the returns were low and many were relatively risky.

While some participants saw parallels with the eurodollar markets in London and predicted that the offshore CNH markets would remain vibrant for some time to come, others felt that the heyday of these markets was more likely to be short, perhaps 2-3 years. They argued that RMB appreciation plus the eventual shift toward full convertibility would reduce the incentive to do business in Hong Kong. Instead, they predicted that the center of gravity would inevitably shift to Shanghai. To some extent, this was seen to depend on the level of liberalization and innovation allowed on the mainland; however, over the long-term, several participants argued that the Chinese government's stated commitment to making Shanghai the country's main financial center would mean that it would catch up to Hong Kong in that regard.

Finally, some participants suggested that the growth of the RMB-denominated markets in Hong Kong could accelerate the shift to RMB convertibility. It was noted that offshore markets had in other instances in the past weakened currency pegs as well as the foundations of capital controls. Others acknowledged the possibility in principle, but argued that the amounts in question were still too small to have much practical effect on Chinese money supply. Nonetheless, there appeared to be a consensus that the CNH markets constituted one more step in the direction of RMB convertibility.





# Symposium Participants

Evan Alexander  
Vice President, International Government Affairs, Citi

Emily Altman  
Senior Advisor, Ascendant Compliance Management

M.P. Azevedo  
Deputy Director, Office of Complex Financial Institutions (OCFI), U.S. Federal Deposit Insurance Corporation

Mark Barnes  
Partner, High Growth Markets, KPMG LLP

Emily Beizer  
Head of International Government Relations, JPMorgan Chase & Co.

Mingjian Bi  
Senior Advisor, China International Capital Corporation Limited (CICC)

Mingqiang Bi  
President, Industrial and Commercial Bank of China, New York Branch

Xiaochun BIAN  
Deputy Director, World Development Institute, Development Research Center of the State Council

Edward Bowles  
Regional Head of Public Affairs, EMEA and Americas, Standard Chartered Bank

Andy Brown  
Managing Director, Asian Century Quest

Rene Bustamante  
Staff Vice President & Assistant Treasurer, FedEx Corporation

Mingpo CAI  
President, Cathay Capital Private Equity

Rick Carew  
Analyst, Columbia Business School

Tong CAO  
Executive Vice President, China Citic Bank

Iris Chan  
Founder and Chief Executive Officer, Ameriway Inc.

Richard Chang  
Senior Executive, Global Clients, Strategic Products & Sales, Asia Pacific, Central Europe, Middle East, and Africa, Visa Worldwide Pte Limited

Howard Chao  
Asia Practice Chair, O'Melveny & Myers LLP

Bin CHEN  
Managing Director, Mount Kellet Capital (HK) Limited

Daofu CHEN  
Research Fellow, Development Research Center of the State Council

Xuebin CHEN  
Executive Vice President, Institute for Financial Studies, Fudan University

Yan (Amy) CHENG  
Managing Director, BOCI Asia Limited

Ping CHEW  
Managing Director, Standard & Poor's

Mitchell Coen  
Director, Government Relations, Barclays Capital

Bob Dannhauser  
Head, Advocacy Outreach and Communications, CFA Institute

Didier Descamps  
Co-Head of Global Markets, Americas, HSBC Securities USA

Yifan DING  
Research Fellow, Development Research Center of the State Council

Cynthia DONG  
NYC Manager, Ernst & Young

Jim Duensing  
Executive Vice President and Chief Financial Officer, Caterpillar Financial Services Corporation

Jin FANG  
Research Fellow, Development Research Center of the  
State Council

Fabiana Fedeli  
Partner and Fund Manager, Occam Asset Management  
LLP

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

Jun GE  
Assistant President, China Europe International Business  
School

Jon Greenlee  
Managing Director, KPMG LLP

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

Jose-Luis Guerrero  
Co-Head of Global Markets, HSBC

Carlos Gutierrez  
Vice Chairman, Institutional Clients Group, Citi

Quan (Sherry) HAO  
Partner, KPMG

Xiaohui HAO  
President, China Communications Bank, New York  
Branch

Shoufen Hu  
Senior International Attorney, U.S. Federal Deposit  
Insurance Commission (FDIC)

Ziqiang HU  
Program Director, China Development Research  
Foundation

Haizhou HUANG  
Managing Director, China International Capital  
Corporation Limited (CICC)

Jie HUANG  
Executive Vice President, Citibank (China) Co., Ltd.

Xueqi HUANG  
Secretary General, China Chamber of Commerce, USA

Chengyue JIAO  
Chief Representative, China Commercial Bank, New  
York Office

Luo JIN  
General Manager, Tianjin TEDA International Holding  
Group Co. Ltd

Brian Kelly  
Managing Partner, Asian Century Quest

Dino Kos  
Managing Director, Hamiltonian Associates, Ltd.

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

Elaine La Roche  
Senior Advisor, CICC US Securities Inc.

Nicholas Lardy  
Senior Fellow, Peterson Institute for International  
Economics

Pascal Levensohn  
Founder and Managing Partner, Levensohn Venture  
Partners

Jianbo LI  
Executive Director, JPMorgan Chase

Shiqin LI  
Chief Representative, Agricultural Bank of China, New  
York Office

Wei LI  
President, Development Research Center of the State  
Council

Wen LI  
Chief Compliance Officer, China Universal Asset  
Management Company

Olin LIU  
Executive Director of Research, China International  
Capital Corporation Limited (CICC)

Xinyu LIU  
Managing Director, Blackstone Group

Yeqiao LIU  
Director, The People's Insurance Company (Group) of  
China

David Loevinger  
Senior Coordinator and Executive Secretary for China  
Affairs and the U.S.-China Strategic and Economic  
Dialogue, U.S. Department of the Treasury

Guoqiang LONG  
Director General, Research Department of Foreign  
Economy, Development Research Center of the State  
Council

Feng LU  
President, Shanghai Wind Information Co., Ltd.

Mai LU  
Secretary General, China Development Research  
Foundation

Gene Ma  
Director for China Economics & Strategy, Tudor

Xuejun MAO  
Assistant to the President, New York Branch, China  
Merchants Bank

Yumin MAO  
President, China Construction Bank, Hong Kong Branch

Cindy Marks  
Country Manager and Senior Financial Analyst, Division  
of Banking Supervision and Regulation, Federal Reserve  
Bank of San Francisco

Barbara Matthews  
Managing Director, BCM International Regulatory  
Analytics LLC

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

Dick McCormack  
Executive Vice Chairman, Bank of America Merrill Lynch

Peter McKillop  
Executive Vice President, Corporate & Financial  
Communications, Edelman New York

Barry Metzger  
Partner, Baker & McKenzie LLP

Aaron Miller  
Attorney, Office of International Affairs, U.S.  
Commodity Futures Trading Commission

Filip Moerman  
Partner, Cleary Gottlieb Steen & Hamilton LLP

Yancy Molnar  
Vice President, International Government Affairs, ACE  
Group

Rumi Morales  
Director, Corporate Development and Finance, CME  
Group

Satoru Murase  
Partner, Bingham McCutchen Murase LLP

Alicia Ogawa  
Director, Mike and Maureen Mansfield Foundation

Changhong PEI  
Director General, Institute of Economics, CASS

Emily Pierce  
Senior Counsel, Office of International Affairs, U.S.  
Securities and Exchange Commission

Bluford Putnam  
Managing Director and Chief Economist, CME Group

Eugene Qian  
Global Banking Head for China, Citi

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

Stephen Roach  
Senior Lecturer & Senior Fellow of the Jackson Institute,  
Yale University

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

Henny Sender  
Chief Correspondent, International Finance, Financial  
Times

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

Jian (Jason) SHEN  
Chief Financial Officer, Hanhong PE Management Co.,  
Ltd.

James Shipton  
Managing Director and Head of Government Affairs,  
Goldman Sachs Asia

Mark Siegel  
Portfolio Manager, Elliott Management Corporation

Richard Sokolow  
Global Director of Research, Elliott Management Corp.

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

Lawrence Summers  
Charles W. Eliot University Professor, John F. Kennedy  
School of Government, Harvard University

Jie SUN  
Director General, China Securities Regulatory  
Commission

Clarence TAO  
Chief Executive Officer, BNP Paribas (China) Limited

Tai TENG  
Chief Economist, Minsheng Securities

Marsha Vande-Berg  
Chief Executive Officer, Pacific Pension Institute

Erik Wang  
Managing Partner, Greater China Capital Limited

Jesse Wang  
Executive Vice President and Chief Risk Officer, China  
Investment Corporation

Lulu C. WANG  
Chief Executive Officer, Tupelo Capital Management,  
LLC

Xu WANG  
Senior reporter, Caixin Media

Zhan WANG  
Chief Executive Officer, Hong Kong Branch, Shanghai  
Wind Information Co., Ltd.

Olin Wethington  
Chairman, Wethington International, LLC

Haifeng (Allen) XU  
Assistant General Manager, New York Branch, Bank of  
China

Xiyu YANG  
Deputy Dean, Research Institute of Boao Forum for Asia

Franny YAO  
Partner & Leader, Key Accounts and Government  
Relations, Ernst & Young China

Jiantuo YU  
Program Director, China Development Research  
Foundation

Rong YU  
President, Tian Yi Investment Group Co., Ltd

Hongjiu ZHANG  
Partner, Jingtian & Gongcheng

Linda Zhang  
Partner, KPMG LLP

Xiaoqing ZHANG  
Director, Georgetown University, Beijing Office

Xiaoqing (Shau) ZHANG  
Partner, Ernst & Young LLP

Xiaoquan (Ted) ZHANG  
Fund Manager, Hanhong PE Management Co., Ltd

Yin ZHANG  
Investment Manager, Mount Kellet Capital

Eugene Zheng  
Managing Director, Chicago Board Options Exchange  
(CBOE)

Ming ZHONG  
Senior Portfolio Manager & Executive Director of ACME  
Institute, Lazard Ltd

Yi ZHOU  
Assistant, Shanghai Wind Information Co., Ltd

Shan ZHU  
President and Publisher, Chinese Venture

Edward Y.M. ZHU  
Chief Executive Officer, Chic Group Global Co., Ltd.

# Symposium Agenda

## FRIDAY, JUNE 24

---

### 5:40–5:45 p.m. GREETINGS AND INTRODUCTION

---

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

### 5:45–6:15 p.m. KEYNOTE ADDRESS

---

- Wei LI, President, Development Research Center of the State Council

### 6:55–7:25 p.m. KEYNOTE ADDRESS

---

- The Honorable Lawrence H. Summers, Charles W. Eliot Professor, Kennedy School of Government, Harvard University  
Introduced by: Hal Scott, Nomura Professor and Director, Program on International Financial Systems (PIFS), Harvard Law School

## SATURDAY, JUNE 25

---

### 8:15–8:25 a.m. OPENING REMARKS

---

- Mai LU, Secretary General, China Development Research Foundation (CDRF)

### 8:25–8:45 a.m. PANEL SESSION

---

Topic 1: Regulation and Competitiveness in the U.S. and Chinese Capital Markets

- Jon Greenlee, Managing Director, KPMG LLP
- Haizhou HUANG, Managing Director, China International Capital Corporation Limited (CICC)

### 8:50–10:15 a.m. SMALL GROUP SESSIONS

---

### 10:25–10:45 a.m. PANEL SESSION

---

Topic 2: Opportunities and challenges in cross-border investment between the U.S. and China

- Richard Sokolow, Global Director of Research, Elliott Management Corp.
- Jason SHEN, Chief Financial Officer, Hanhong PE Management Co. Ltd.

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

---

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

---

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

1:30–3:00 p.m.

PLENARY PANEL DISCUSSION

---

Topic 3: The future of the dollar and the RMB in the global financial system

- Howard Chao, Asia Practice Chair, O'Melveny & Myers
- Guoqiang LONG, Director General, Research Department of Foreign Economy, DRC, the State Council of China
- Stephen Roach, Senior Lecturer & Senior Fellow of the Jackson Institute, Yale University, Non-Executive Chairman, Morgan Stanley Asia
- Xuebin CHEN, Executive Vice Dean, Institute for Financial Studies, Fudan University
- Bluford Putnam, Managing Director and Chief Economist, CME Group

3:00–6:00 p.m.

REPORTERS MEETING

---

6:45–7:45 p.m.

KEYNOTE ADDRESSES

---

- The Honorable Carlos Gutierrez, Vice Chairman, Institutional Clients Group, Citi
- Tong CAO, Executive Vice President, China Citic Bank

SUNDAY, JUNE 26

---

8:15–9:15 a.m.

PRESENTATION & DISCUSSION

---

Topic 1: Regulation and competitiveness in the U.S. and Chinese capital markets

- Stefan Gavell, Executive Vice President and Head of Regulatory, Industry, and Government Affairs, State Street
- Jie SUN, Director General, China Securities Regulatory Commission

9:20–10:20 a.m.

PRESENTATION & DISCUSSION

---

Topic 2: Opportunities and challenges in cross-border investment between the U.S. and China

- Nicholas Lardy, Senior Fellow, Peterson Institute for International Economics
- Jesse WANG, Executive Vice President & Chief Risk Officer, China Investment Corporation

10:30–11:30 a.m.

PRESENTATION & DISCUSSION

---

Topic 3: RMB denominated bond issuance and the international role of RMB

- Jim Duensing, Executive Vice President and Chief Financial Officer, Caterpillar Financial Services Corporation
  - Changhong PEI, Director General, Institute of Economics, Chinese Academy of Social Sciences (CASS)
  - Eugene Qian, Global Banking Head for China, Citi
  - Zhan WANG, Chief Executive Officer, Hong Kong, Wind Information Co. Ltd.
  - Jose-Luis Guerrero, Co-Head of Global Markets, HSBC Bank Plc
- Moderated by: Hal Scott, Nomura Professor and Director, Program on International Financial Systems (PIFS), Harvard Law School

# Sponsor Profiles

## Asian Century Quest

Asian Century Quest Capital LLC (ACQ) is a New York based investment management firm with assets under management of over \$1 billion. The portfolio is comprised principally of publicly listed equities domiciled across Asia, with select investments in securities from outside the region. ACQ seeks to achieve superior investment returns by utilizing rigorous, research-driven fundamental analysis to identify longer term investment opportunities across all major countries in the region. The firm's goal is to leverage its pan-Asian focus to identify companies in which capital can be reinvested at an attractive rate of return for a sustained period. The investment team includes a matrix of 15 research analysts based in New York and five in Tokyo, combining sector-specific insights with country and regional expertise. The team has native language fluency in Japanese, Korean, and Mandarin Chinese.



Baker & McKenzie offers clients the commitment to excellence expected of a top firm and a distinctive way of thinking, working and behaving — as a passionately global and genuinely collaborative firm. We seamlessly combine an instinctively global perspective with the local insights of 3,750 locally qualified lawyers in 69

offices around the world.

We are one of the largest and most experienced international law firms in China. We complement nearly four decades of local know-how with global capabilities in 40 countries, including all of the world's major financial centers.

Our ability to assist with all aspects of international law is second to none. We have more than 300 qualified lawyers and consultants in Beijing, Hong Kong and Shanghai who are fluent in China's cultural, political and legal structure. Taking a global perspective and integrated approach to managing your local and cross border deals enables us to deliver optimum value and efficiencies.



Bank of America is one of the world's largest financial institutions, serving individual consumers, small- and middle-market businesses and large corporations with a full range of banking, investing, asset management and other financial and risk management products and services. The company provides unmatched convenience

in the United States, serving approximately 57 million consumer and small business relationships through retail banking offices, ATMS, and award-winning online banking. Bank of America is among the world's leading wealth management companies and is a global leader in corporate and investment banking and trading across a broad range of asset classes, serving corporations, governments, institutions and individuals around the world. Bank of America offers industry-leading support to approximately 4 million small business owners through a suite of innovative products and services. The company serves clients through operations in more than 40 countries. Bank of America Corporation stock (NYSE: BAC) is a component of the Dow Jones Industrial Average and is listed on the New York Stock Exchange.



Barclays is a major global financial services provider engaged in retail banking, credit cards, corporate banking, investment banking, wealth management and investment management services with an extensive international presence in Europe, the Americas, Africa and Asia.

With over 300 years of history and expertise in banking, Barclays operates in over 50 countries and employs nearly 147,000 people. Barclays moves, lends, invests and protects money for more than 48 million customers and clients worldwide.

## BINGHAM



Bingham McCutchen LLP is an international law firm with approximately 1,100 lawyers in 11 offices, including New York, Hong Kong, Washington D.C., London, Frankfurt and Tokyo, focused on serving clients in complex financing and financial regulatory issues, high-stakes litigation, government affairs, and a wide variety of sophisticated corporate and technology matters. In the more than 100 years since our firm's establishment, we have developed extensive experience in U.S., Asian and European cross-border matters and have advised clients on the strategic legal, business and governmental issues necessary for success in global business operations.

Attorneys in our worldwide offices represent major U.S., Asian and European companies throughout the world. We provide 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 issues as well as major cross-border insolvencies and corporate restructurings.

## CATERPILLAR®

For more than 85 years, Caterpillar has been making sustainable progress possible on every continent. With 2010 sales and revenues of \$42.588 billion, Caterpillar is the world's leading manufacturer of construction and mining equipment, diesel and natural gas engines, industrial gas turbines and diesel-electric locomotives. The company also is a leading services provider through Caterpillar Financial Services, Caterpillar Remanufacturing Services, Caterpillar Logistics Services and Progress Rail Services.

Across China, Caterpillar employees and products have been associated with growth and development for more than three decades. From our headquarters in Beijing and our new R&D center in Wuxi, to world-class manufacturing centers in cities like Xuzhou and Suzhou, Caterpillar facilities feature cutting-edge technology, people and culture.

As Caterpillar has grown in China, our U.S. exports to China have increased rapidly, placing China among Caterpillar's top export markets and generating thousands of jobs both in the United States and abroad.



CFA Institute is a global, not-for-profit organization comprising the world's largest association of investment professionals. With over 100,000 members, and regional societies around the world, we are dedicated to developing and promoting the highest educational, ethical, and professional standards in the investment industry.

We offer a range of educational and career resources, including the Chartered Financial Analyst (CFA) and the Certificate in Investment Performance Measurement (CIPM) designations, and are a leading voice on global issues of fairness, market efficiency, and investor protection.



China International Capital Corporation Limited ("CICC") was founded as a strategic partnership of prestigious domestic and international financial institutions in China. CICC is headquartered in Beijing with subsidiaries in Hong Kong, Singapore, UK and USA, branch office in Shanghai and 15 retail brokerage branches in major cities as Beijing, Guangzhou, Hangzhou, Nanjing, Shanghai and Shenzhen. We are

committed to delivering comprehensive capital market solutions and adding value to clients.

As a China-based International investment bank, CICC has, over the years, built up a comprehensive knowledge base on China's legal, regulatory, economic, cultural, business and market environment. By capitalizing on our knowledge and working closely with clients, we have achieved numerous milestones for transactions in telecommunications, power, transportation, oil and gas, petrochemicals, metals and mining and financial services. We have thus acquired strong industry expertise across many key sectors, allowing us to deliver sound capital market solutions to our clients in the ever-changing Chinese marketplace. CICC has strong

expertise in domestic and overseas equity underwriting, securities brokerage, asset management, fixed income and market research. We are known for our “strong research capability, professional sales and trading and prudent risk control mechanism” in serving fund management companies, insurers, QFII and conglomerates. In 2004, CICC was named a pilot securities firm in terms of innovation and awarded from 2007 to 2010 an AA securities firm in the category A in accordance with guidelines for regulations of classification of securities firms. In 2007, CICC initiated new business activities including retail breakage, private equity and QDII.

CICC has talents from both domestic and international markets, and has developed a professional team with high standard professionalism, innovation, outstanding execution capability and experiences.



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).

Since Citibank opened its first European branch in Poland in 1870, Citi in Europe has grown to become one of the region's most recognized financial services companies. Citi businesses in Europe provide services in corporate, consumer and investment banking, capital markets, and fund raising as well as transaction services and private banking.



CME Group - CME Group is the world's leading and most diverse derivatives exchange. Building on the heritage of CME, CBOT and NYMEX, CME Group serves the risk management needs of customers around the globe. As an international marketplace, CME Group brings buyers and sellers together on

the CME Globex electronic trading platform and on trading floors in Chicago and New York. By acting as the buyer to every seller and the seller to every buyer, CME Clearing virtually eliminates counterparty credit risk. CME Clearing also offers \$8 billion in financial safeguards to help mitigate systemic risk, providing the security and confidence market participants need to operate, invest and grow. CME Group offers the widest range of benchmark products available across all major asset classes, including futures and options based on interest rates, equity indexes, foreign exchange, energy, agricultural commodities, metals, and alternative investment products such as weather and real estate. CME Group is listed on NASDAQ under the symbol "CME." [www.cmegroup.com](http://www.cmegroup.com)



Elliott Management Corporation is responsible for the management of two funds, Elliott Associates, LP and Elliott International, LP, who together have more than \$17 billion of capital under management. Founded in 1977, Elliott is one of the oldest firms of its kind under continuous management, and its investors include

large institutions, college endowments, charitable trusts, family offices, and friends and employees of the firm. Elliott has major investment interests around the world and pursues a diversified trading program, emphasizing thoroughness, hard work, creativity, and tenacity. The firm seeks to generate an annual return with a high degree of consistency, regardless of fluctuations in the stock and bond markets. Since inception through July 1, 2009, Elliott has generated a 14.5% net compound annual return, compared to 10.4% for the S&P 500 stock index. The annual standard deviation of returns for Elliott over this period was only 5.8%, compared with 16.3% for the S&P 500. Elliott's performance has been highly consistent throughout many market cycles and has resulted in only nine losing quarters during its more than 33-year history.

# Global Strategic Associates, LLC

Global Strategic Associates, LLC (GSA) is an international advisory firm guiding a select group of clients on their operations and opportunities in foreign

markets and negotiating cross-border investments, primarily in Asia, Latin America and select countries in the Middle East.

GSA is led by its Chairman and CEO, Ambassador Paul W. Speltz who has over 35 years of international experience in Asian business and finance, with particular expertise in China, both in the public service and private sectors. GSA relies upon its global network of associates to identify investment opportunities and provide critical in-country regulatory and industry specific expertise to its clients to see transactions through to completion.

At GSA's headquarters in New York City, and through and with its support facilities and people in Washington DC, Beijing, Hong Kong, Tokyo, and Manila, Ambassador Speltz is supported by an operational staff with public, private, and legal sector backgrounds, and with extensive experience throughout Asia, Latin America and the Middle East.



In August, 2009, Hanhong PE Management Co. Ltd (Hanhong PE) was registered in Tianjin China, fully licensed to manage private equity funds under the supervision of Chinese Government. Up to now, Hanhong PE manages several PE funds of nearly a half billion RMB, which were mostly invested in mining companies and small-loan firms and other small non-banking finance companies in China. At present, Hanhong

is launching new funds of which 5 billion RMB are to be invested in companies developing natural resources and another 1 billion RMB will be in small non-banking financial institutions.

Hanhong's founding partners are elite of Chinese nationals accomplished at home and abroad. Hanhong's senior executives and fund managers are composed of experts who not only have profound knowledge and experience in international capital management and trade but also understanding of the structure of domestic capital as well as interests and concerns of local Chinese investors. Since April, 2010, Hanhong has started investing in equities of small-loan firms fully licensed to operate in secondary cities of China. By 2012, over 30 small small-loan firms and finance companies will be Hanhong's partners.

From autumn, 2010, Hanhong has been aggressively locating and investing in coal mining companies in Ningxia and Inner Mongolia of northern China. Overseas, Hanhong also has been sourcing such minerals as coking coal, chromium, copper and gold in Philippines, Australia, Chile, and United States. Hanhong Strategic Mining Fund, estimated subscription may exceed 10 billion RMB, will be invested exclusively in overseas natural resources that are of great significance to China's economy such as coking coal, metallurgical ores and oil. None-government-owned foreign companies with such assets and rights thereof will be Hanhong's targets. The total estimated equity investment by Hanhong in overseas natural resources at home and abroad will be no less than 10 billion US dollars by 2013.

We strongly believe Hanhong's investment will bring satisfactory returns to Hanhong's subscribers.



Founded in 2003, Hony Capital is a pioneer in China's home grown private equity industry. Sponsored by Legend Holdings, a leading Chinese conglomerate, Hony has blazed the trail in formulating private equity investment strategies suitable for Chinese conditions by combining a deep understanding of local environment and people with global resources and international best practices. Today, with

over USD 4.4 billion in assets under management across six funds and investments in over 40 companies, Hony is a leading China-focused private equity firm.

Adhering to the "value creation" investment philosophy, Hony partners with managers and entrepreneurs to build their businesses into sustainable leaders in respective industries. Hony focuses on sectors where it has developed expertise: pharmaceuticals and healthcare, consumer & retail, media & entertainment, financial services, construction materials, machinery, and alternative energy & resources.

Over the course of past investment practice, Hony has identified opportunities and developed successful investment models in following areas:

1) Buyout and privatization of Chinese SOE's; 2) Growth capital investments in private companies; 3) Cross border investments with China focus



HSBC Global Banking and Markets is an emerging markets-led and financing-focused business that provides tailored financial solutions to major government, corporate and institutional clients worldwide.

Global Banking and Markets has offices in more than 60 countries and territories. Managed as a global business, we offer clients geographic reach and deep local

knowledge.

Our clients are served by teams that bring together relationship managers and product specialists to develop financial solutions that meet individual client needs. To ensure that we build a comprehensive understanding of each client's financial requirements, we take a long-term relationship management approach. For more information on Global Banking and Markets, please visit [www.hsbcnet.com](http://www.hsbcnet.com)

HSBC Global Banking and Markets is part of the HSBC Group, one of the world's largest banking and financial services organisations. HSBC is marketed worldwide as 'the world's local bank'.

Donald P. Kanak and Kumi Sato



KPMG LLP, the U.S. audit, tax and advisory services firm, operates from 87 offices with more than 23,000 employees and partners throughout the U.S. Our purpose is to turn knowledge into value for the benefit of our clients, our people, and the capital markets.

KPMG's High Growth Markets (HGM) practice provides audit, tax and advisory services to U.S.-based companies in their pursuit of outbound investment opportunities in high growth and emerging markets such as China, India, Brazil, Russia, Mexico and Vietnam. In addition, HGM provides services to U.S. high growth market-based companies with inbound investment interest in the United States.



**O'MELVENY & MYERS LLP**

O'Melveny & Myers LLP is an international law firm with approximately 900 lawyers in 14 offices worldwide. Our clients come from a broad range of industries, nations, and stages of development. In 2011, O'Melveny was recommended in 22 practice areas by Chambers Global and 23 practice areas by the International Financial Law Review (IFLR). As one of the first US law firms

to open offices in Beijing, we now have the largest China practice of any US-based law firm, with offices in Shanghai, Beijing, and Hong Kong. Our China practice is internationally recognized for its market leadership and was recently named "China Practice of the Year" by Asian Legal Business. Whether the undertaking is a major industrial acquisition in China, a Chinese company listing offshore, a bet-the-company dispute, or the financing of a Chinese technology startup, O'Melveny has the depth and breadth of experience to give its clients a competitive edge.



# STATE STREET

State Street Corporation is one of the world's leading providers of financial services to institutional investors, with a comprehensive service offering that includes investment management, investment research and trading, and investment servicing. With US\$22.6 trillion in assets under custody and administration, and US \$2.1 trillion in assets under management†, State Street operates in 26 countries and more than 100 geographic markets

worldwide\*. State Street Corporation's common stock is traded on the New York Stock Exchange under the symbol STT. State Street has been operating in the Asia-Pacific region since 1982, and today has approximately US\$1.01 trillion in assets under custody and administration, and US\$223 billion in assets under management, in Asia Pacific. Our more than 2,900 employees across the region serve clients through our offices in eight cities\* in Asia Pacific.

\*All statistics as of March 31, 2011

†AUM includes the assets of the SPDR Gold Trust (approx. \$56 billion as of March 31, 2011), for which State Street Global Markets, LLC, an affiliate of State Street Global Advisors serves as the marketing agent.



Wind Information Co., Ltd. (Wind Info), headquartered in the Lujiazui Financial Center in Shanghai, is a leading integrated service provider of financial data, information, and software.

Wind Info serves more than 90% of the financial enterprises in the Chinese market, including securities firms, fund management firms, insurance companies, banks, and investment firms. Overseas, Wind Info serves 75% of the Qualified Foreign Institutional Investors (QFII). Additionally, most renowned financial research institutions and regulatory committees are on Wind Info's clients list. The company's data are frequently quoted by Chinese and English media, in research reports, and in academic theses.

Wind Info has built up a substantial, highly-accurate, first-class financial database, which includes stocks, funds, bonds, FX, insurance, futures, derivatives, commodities, and macroeconomic and financial news. Moreover, institutional investors can acquire the latest information via regular updates provided by Wind Info.

Wind Info develops a series of professional analysis software and application tools for information indexing, data capture and analysis, and portfolio management, to fulfill the various demands of investment institutions, research and academic institutions, as well as financial regulatory organizations. Users can obtain timely, accurate and complete information via terminal tools 24 hours a day, 7 days a week, and 365 days a year.

Wind Info excels at data. The company is extending its services to new areas and launching new products, in order to continue its bountiful success in the ever-changing financial market.

Instead of providing information that is one mile wide but only one inch deep, Wind provides information that is one foot wide yet one mile deep.

Program on International Financial Systems  
125 Mount Auburn Street  
Cambridge, MA 02138 USA

[www.law.harvard.edu/programs/pifs](http://www.law.harvard.edu/programs/pifs)

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

Dan McCardell, Deputy Director, PIFS

Tel: 617.495.4715

[dmccardell@law.harvard.edu](mailto:dmccardell@law.harvard.edu)

SYMPOSIUM ON BUILDING THE FINANCIAL SYSTEM OF THE 21<sup>ST</sup> CENTURY  
AN AGENDA FOR CHINA & U.S FINANCIAL ENGAGEMENT  
ARMONK, NEW YORK • JUNE 24-26, 2011

**HOST SPONSOR**

CITI

**LEAD SPONSORS**

BANK OF AMERICA

CHINA INTERNATIONAL CAPITAL CORPORATION LIMITED

HONY CAPITAL

KPMG

**GLOBAL SPONSORS**

BARCLAYS

HANHONG PRIVATE EQUITY

HSBC

STATE STREET

WIND INFORMATION CO, LTD.

**SPONSORS**

ASIA CENTURY QUEST

BAKER & MCKENZIE

BINGHAM MCCUTCHEN MURASE

CATERPILLAR

CFA INSTITUTE

CME GROUP

ELLIOTT

GLOBAL STRATEGIC ASSOCIATES

DONALD P. KANAK AND KUMI SATO

O'MELVENY & MYERS