

## PROGRAM ON INTERNATIONAL FINANCIAL SYSTEMS

HARVARD LAW SCHOOL 2016-2017 ANNUAL REPORT

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### PART I: REPORT OF ACTIVITIES

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#### **Executive Summary**

The Program on International Financial Systems (PIFS) celebrated its 30<sup>th</sup> anniversary in 2016. Founded in 1986 under the direction of Hal S. Scott, PIFS contributed to the mission of Harvard Law School during the 2016-2017 academic year by advancing dialogue on issues related to the capital markets through a series of Symposia on regulation and international finance; a Guest Lecture Series featured at HLS; by developing its executive training programs in partnership with both the International Organization of Securities Commissions (IOSCO) and the Capital Markets Authority (CMA) of Kuwait; and by generating research on issues facing the capital markets.

PIFS produces five symposia on international financial systems that bring together financial, government, and academic leaders from the U.S., and their counterparts from China, Europe, Japan, India and Latin America, to discuss the common theme of *Building the Financial System of the 21st Century*. The series has been in existence since 1998 when the inaugural Japan-U.S. Symposium was convened. The 19<sup>th</sup> edition of the Japan-U.S. Symposium occurred in October of 2016; the 14<sup>th</sup> China-U.S. Symposium in May 2017; followed by the 15<sup>th</sup> Europe-U.S. Symposium in March 2017; the 5<sup>th</sup> Latin America- U.S. Symposium convened in November 2016 on campus at Harvard Law School.

#### **Research, Scholarship, and Project Activities**

PIFS conducts research on international finance; encourages dialogue amongst international practitioners in the capital markets and educates financial regulators.

PIFS is collaborating with Visa on sponsored research analyzing the potential systemic risks posed by clearing and settlement in retail card payment systems. This research will be presented at a conference hosted by Visa and PIFS.

#### **Research by Program Director**

During 2016-2017 academic year, PIFS' Director Hal S. Scott continued to produce research focused on capital markets, regulatory, and financial markets issues.

#### **Professor Scott published the following paper in 2016-2017:**

- Controlling the Long-Term Problems of Short-Term Funding, February 3, 2017, Harvard Public Law Working Paper
- SRISK as a Measure of Systemic Risk for Insurers: Oversimplified and Inappropriate, Publication Forthcoming, The Journal of Insurance Regulation

### **Speaking Appearances , 2016-2017:**

- Conference Speaker, “Connectedness and Contagion”, Institute of International Finance, September 21, 2016
- Panelist, “The Economic Impact of Brexit” CUNY NYC. October 7, 2016
- Panelist, “Credit Default Swaps: Misconceptions, Generalizations, and What We Actually Need to Know” ISDA. November 1, 2016
- Panelist, “The Contagion Risk: The Role of the Fed as Lender of Last Resort” IMF. November 7, 2016
- Panelist, “Liquidity in Debt Markets” Brookings. November 15, 2016
- Panelist, “The Future of Global Financial Regulation” Financial Times. April 5, 2017
- Panelist, “Financial Services for Regulators and AGs” George Mason University Law School. April 27, 2017
- Institute of International Bankers, Financial Regulation. June 22, 2017

### **Symposium Series on Building the Financial System of the 21<sup>st</sup> Century**

PIFS convenes a series of annual Symposia that gather senior government leaders, financial industry executives, and prominent academics for in-depth dialogue on issues relating to capital markets, financial regulation, and international finance. Conducted under Chatham House rules to facilitate an open exchange of ideas, each of these Symposia provides a valuable platform for dialogue on financial and economic matters. In 2016-17 PIFS hosted Symposia between the U.S. and Japan (19<sup>th</sup> year), Europe (15<sup>th</sup> year), China (14<sup>th</sup> year) and, Latin America (5<sup>th</sup> year)

The Symposia provide a valuable platform for a focused and thoughtful discussion on key issues relating to the international financial system and the measures aimed at returning growth to economies worldwide and preventing future crises. At the conclusion of each Symposium, the findings are collated into report, distributed to participants and governments that stands as a key assessment of issues relating to issues discussed at the conferences.

In 2016-2017 PIFS produced the following Symposia:

*19<sup>th</sup> Japan-U.S. Symposium on Building the Financial System of the 21st Century*  
Karuzawa, Japan – October 28-30, 2016

- Are we heading for another financial meltdown? – from Europe, from emerging markets, from China?
- Effects, limits and consequences of monetary policy actions in the US and Japan
- The implications of US Presidential election outcome for US-Japan relations

*5<sup>th</sup> Latin America-U.S. Symposium on Building the Financial System of the 21st Century*  
Cambridge, MA – November 17-19, 2016

- Capital Markets Development: Pension Fund Systems and Opportunities for Investment Funds
- Impacts of G-20 Financial Regulation on Latin American Markets
- State-Owned Entities: Riskiness, Competitiveness, Conflicts of Interest, and Curbing Corruption

*15<sup>th</sup> Europe-U.S. Symposium on Building the Financial System of the 21st Century*  
Frankfurt, Germany – March 29-31, 2017

- The New U.S. Presidency & Brexit's Impact on Trans-Atlantic Financial Markets
- Regulatory Developments in Capital, Liquidity & Derivatives Impacting Europe & the U.S.
- Central Bank Independence from the Legislative, Judicial and Executive Branches
- The Role of Lender of Last Resort in the Eurosystem and U.S.

*14<sup>th</sup> China-US. Symposium on Building the Financial System of the 21st Century*  
Armonk, NY – May 17-19, 2017

- Impact of leadership transitions on Sino-US economic relations
- Next steps in capital market liberalization and financial (de)regulation in China and the U.S.
- Challenges & opportunities of FinTech (and RegTech) in the U.S. and China
- The sources for capital and investment, and market access

**HLS Student Research:**

In 2016-17, PIFS drew on HLS student resources for various research projects, including Professor Hal Scott's International Finance textbook, his working paper, as well as research materials relating to each of the PIFS Symposia.

**Fellowships:**

PIFS sponsors fellows doing work in the area of capital markets, financial regulation, and international finance in accordance with the needs of the program. In 2016-17, the Program will have as fellows, Brian Johnson, Vladimir Stolyarenko, Aurelio Gurrea-Martinez, Leonardo Porciuncula Gomes Pereira, and Don Kanak.

**Collaborations:**

For the fifth consecutive year Professor Hal Scott co-hosted a financial discussion group with Professor Lawrence Summers. The discussion group gathers faculty from across the Business School, Kennedy School and Law School, as well as the Economics Department, for two-hour-long discussions focused on financial regulation. The group meets roughly two times per semester in 2017-18.

**The International Finance Seminar Guest Lecture Series**

Guest speakers during 2016-17 included:

- Eric Rosengren, President and Chief Executive Officer, Federal Reserve Bank of Boston
- William Coen, Secretary General – Basel Committee on Banking Supervision, Bank for International Settlements (BIS)
- Mike Piwowar, SEC Commissioner
- Andrew Bailey, Chief Executive Officer of the Financial Conduct Authority

**Plans for Academic year: 2017-2018:**

**Executive Summary**

In 2017-2018, PIFS will support the core missions of Harvard Law School by continuing its efforts in the areas of programs, research, and scholarship on issues relating to capital markets, financial regulation, and international finance. Given the ongoing prevalence of

these issues around the globe, PIFS will endeavor to contribute to this dialogue through its various activities.

**Symposia Series on Building the Financial System of the 21<sup>st</sup> Century:**

PIFS will maintain its series of five Symposia in 2017-2018 and look to maximize benefits garnered from each.

**Program on International Financial Systems Guest Lecture Series**

PIFS will continue to host the International Guest Lecture Series in 2017-2018, with one speaker already confirmed and more speakers in process of being confirmed.

**Research by Program Director**

In 2017-2018 Professor Scott will continue to produce timely research in the areas of capital markets, financial regulation, payment systems, and international finance.

**HLS Student Research:**

PIFS will continue to draw on HLS students for research projects, including preparatory materials for various Symposia in 2017-2018.

**Fellowships:**

PIFS will continue to sponsor fellows doing work in the area of capital markets, financial regulation, and international finance in accordance with the needs of the program.

**Collaborations:**

Professor Hal Scott will continue to co-host a financial discussion group with Professor Lawrence Summers.

**Training Programs:**

PIFS and the International Organization of Securities Commissions (IOSCO) will continue their partnership and host the second annual *Global Certificate Program for Regulators of Securities Markets* in December 2017. IOSCO and PIFS jointly developed this training program for regulators of securities markets. It will examine current and future regulatory challenges and emerging issues. This program is part of PIFS and IOSCO's ongoing capacity building efforts and is in response to the needs and growing demands for enhanced education and training of regulators of securities markets globally.

PIFS and the Capital Markets Authority of Kuwait began a partnership to educate and train students selected by the CMA as part of their *Fresh Graduates Program* in March of 2017. PIFS developed the curriculum for these students with guidance from the CMA. The curriculum aimed to empower emerging financial regulators in financial markets with tools to stay ahead of the curve and make meaningful contributions.