

MEMO# 11529

January 10, 2000

INSTITUTE LETTER TO TREASURY ON US-JAPAN BILATERAL DISCUSSIONS

[11529] January 10, 2000 TO: INTERNATIONAL COMMITTEE No. 1-00 RE: INSTITUTE LETTER TO TREASURY ON US-JAPAN BILATERAL DISCUSSIONS

On December 20 and 21, 1999 US Treasury Department officials held bilateral discussions with Japan to review implementation of the 1995 US-Japan Financial Services Agreement and progress in financial liberalization, modernization and reform. Enclosed is a copy of a letter the Institute sent to Treasury outlining issues the Institute recommended that Treasury raise in the discussions. We understand from recent conversations with Treasury officials that they were able to raise most of the Institute's issues during the discussions. Treasury officials raised the need for regulators to provide meaningful opportunity for industry comment before regulations are adopted. In this regard, US negotiators pointed out by way of example that final implementing regulations under the newly enacted Gramm-Leach-Bliley Act will not be adopted until after a public comment period. The discussions also covered the cumbersome structure currently used to permit discretionary investment advisers to manage Japanese public pension assets for Nempuku. The Japanese reported that they expect to address this issue shortly when Nempuku is abolished and a new entity is created to assume many of Nempuku's previous responsibilities. The procedures under which discretionary asset managers may manage public pension plan assets will be revised and streamlined at that time. The discussions also reviewed the Japanese government's plans to introduce defined contribution plans. Treasury officials mentioned the industry's view that providing a tax incentive for participants in the new plans may be important to the success of the new program. The Treasury Department issued a press release at the conclusion of the discussions. A copy of the press release is enclosed. Mary S. Podesta Senior Counsel

Attachments