

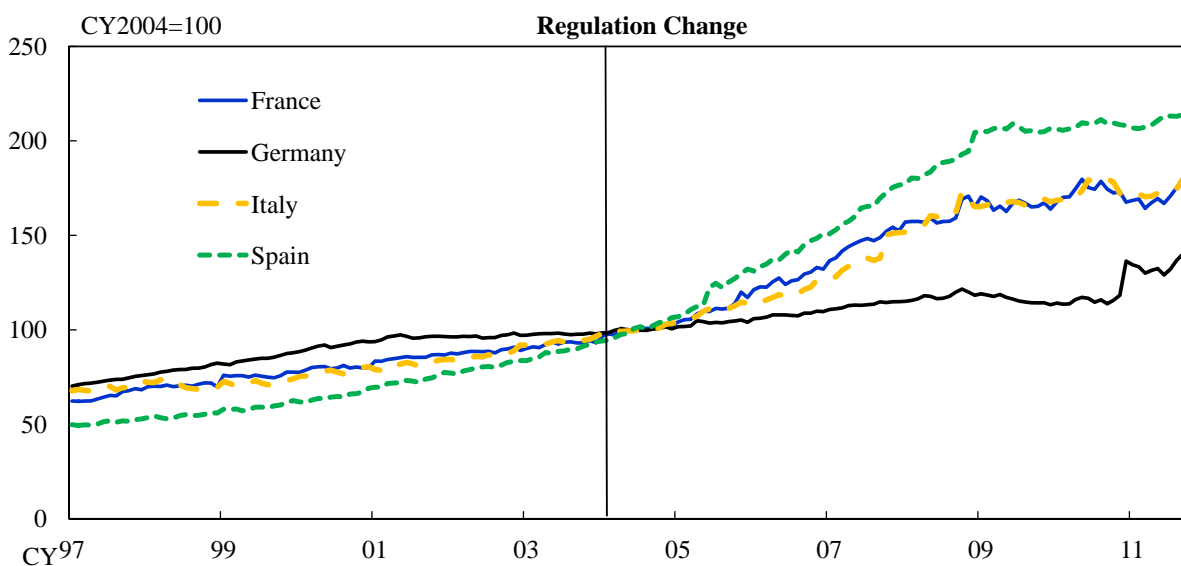
What Should We Learn from the Eurozone Crisis? ~A Regulatory-Reform Perspective~

Kiyohiko G. Nishimura
Deputy Governor of the Bank of Japan

(Chart 1)

Notable Acceleration of Expansion in Financial Institutions' Assets, Especially in France, Italy and Spain

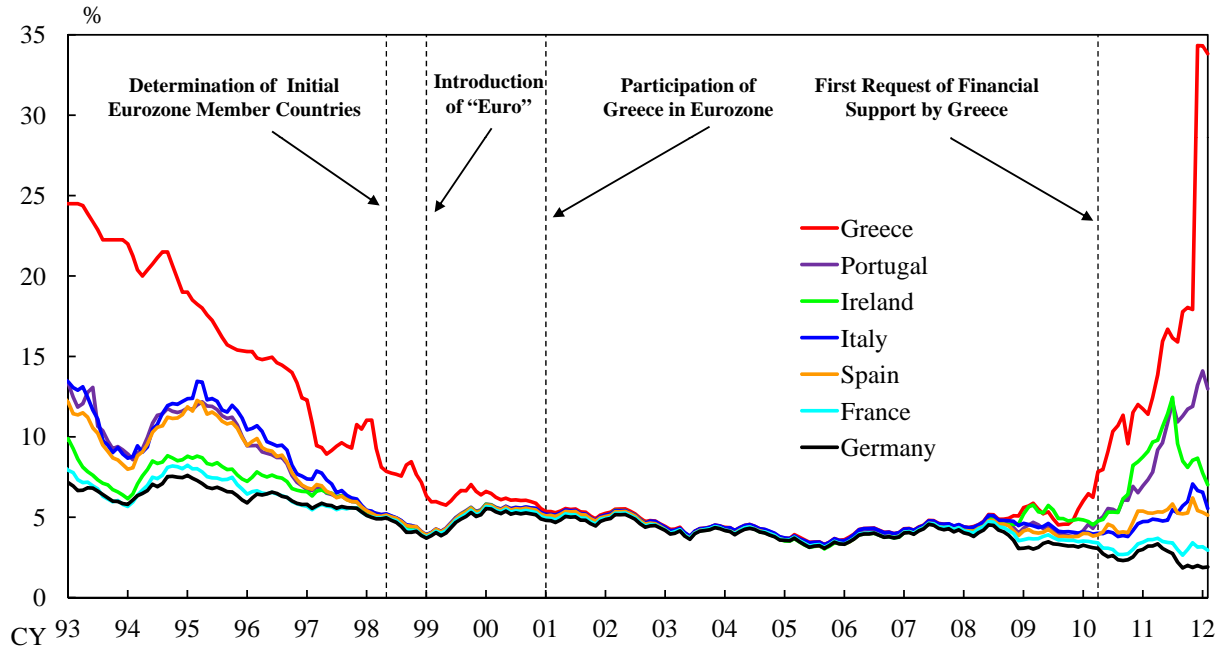
Total Assets of European Financial Institutions



Note: "Regulation change" indicates that U.S. authorities eased the regulation on the leverage ratio of U.S. Investment Banks in 2004 (the same shall apply hereinafter).

Source: CEIC.

(Chart 2) Convergence of Interest Rates in Eurozone Member Countries through Introduction of “Euro” Currency

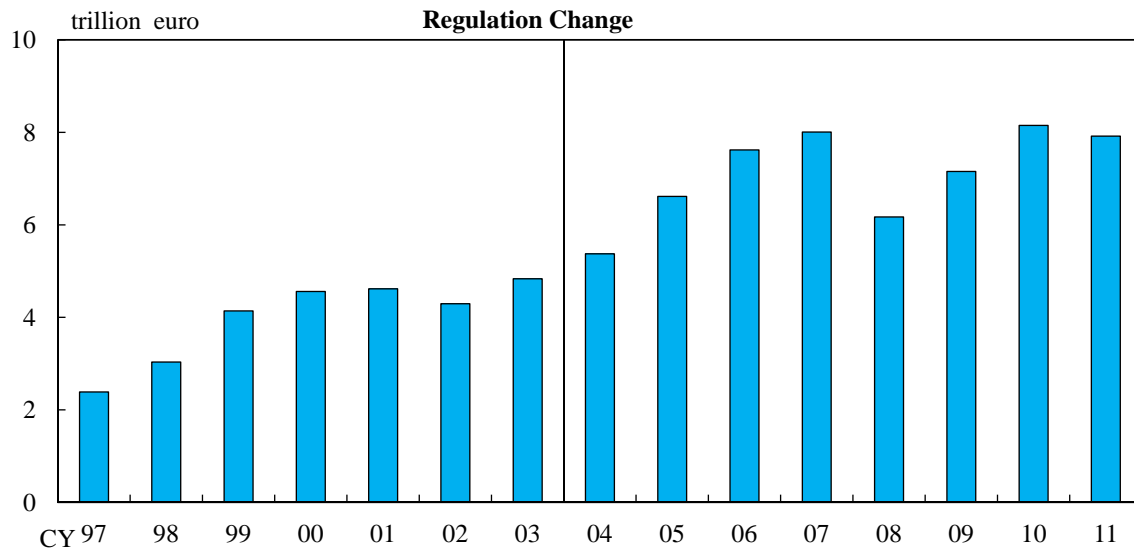


Note: The figures indicate the long-term government bond yields of each country.
Source: Bloomberg.

2

(Chart 3) Expansion of Asset Management Business in Europe

Net Assets of Asset Management Funds in Europe



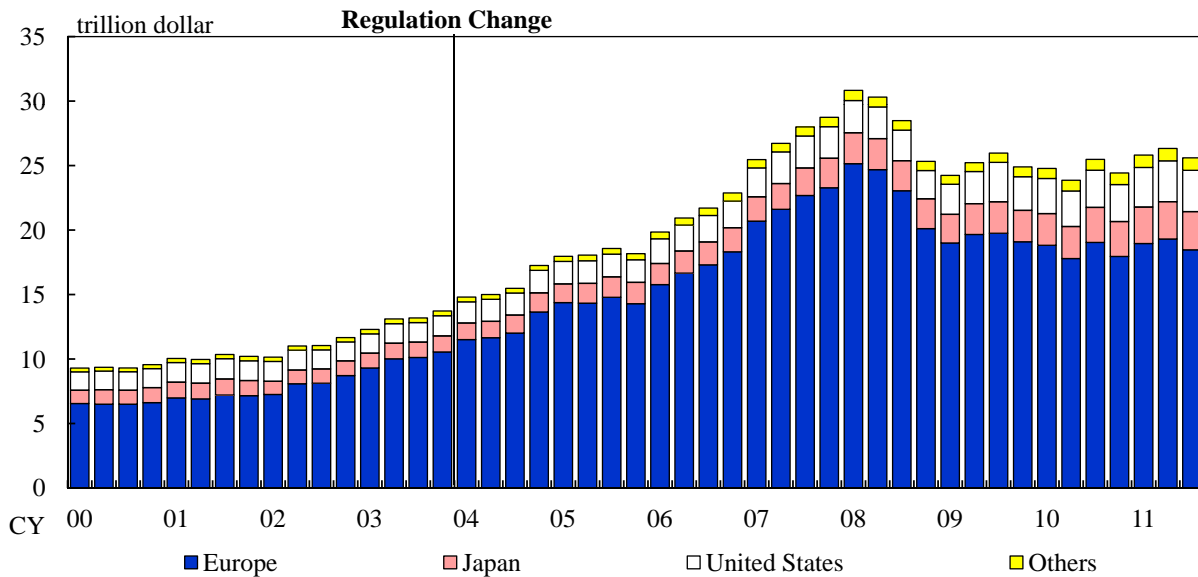
Note: The figures are the net assets of the investment funds domiciled in Europe at the end of each year.
Source: European Fund and Asset Management Association.

3

(Chart 4)

The Major Presence of European Banks in Cross-border Claims

Cross-Border Claims Classified by Nationality of Reporting Banks



Note : The figures are the amounts outstanding on an immediate borrower basis in 17 reporting countries whose data are available from the first quarter of 2000.

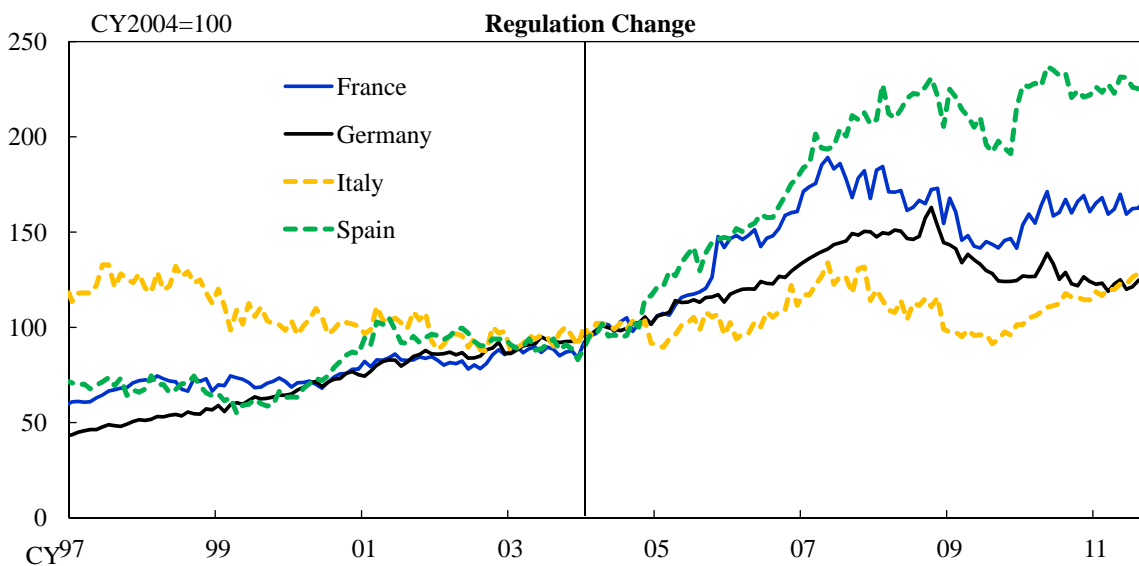
Source: BIS.

4

(Chart 5)

Remarkable Increase in European Financial Institutions' Non-Eurozone External Assets

Non-Eurozone External Assets Held by European Financial Institutions

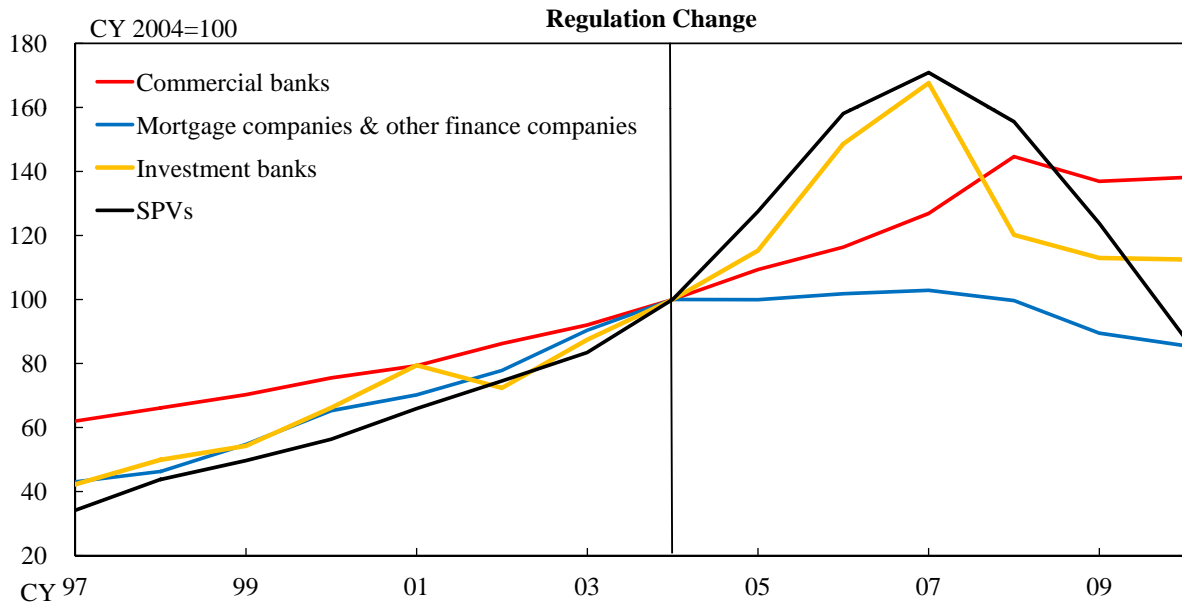


Source: CEIC.

5

(Chart 6)

Sharp Increase in SPVs' and Investment Banks' Assets in U.S. after 2004



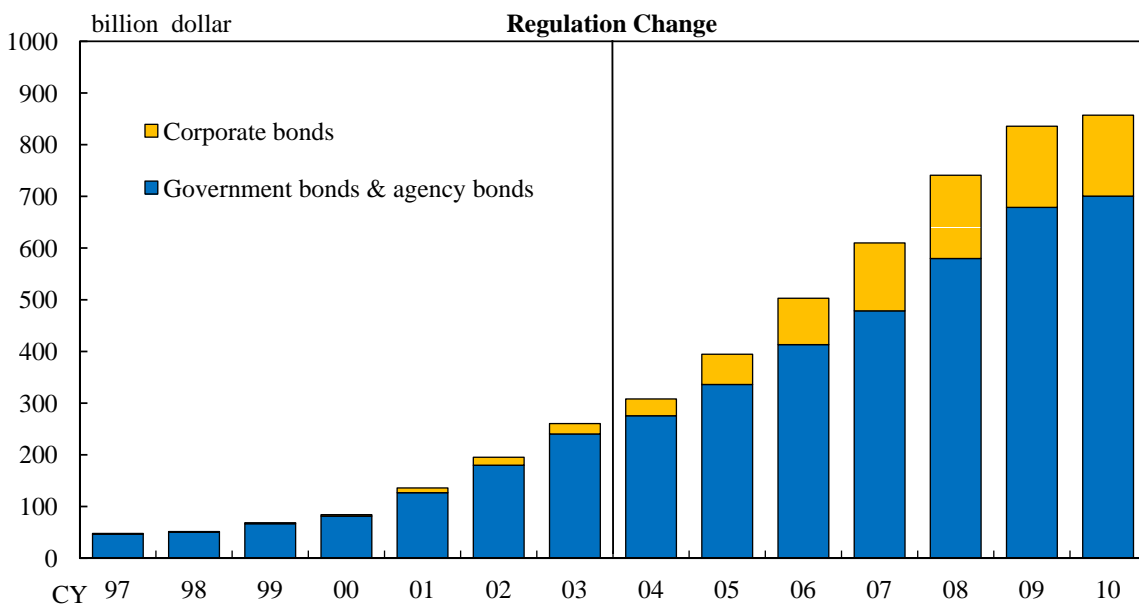
Note: The figures indicate the total financial assets.
Source: FRB.

6

(Chart 7)

Acceleration of Capital Flow from China, Especially into Government Bonds & Agency Bonds

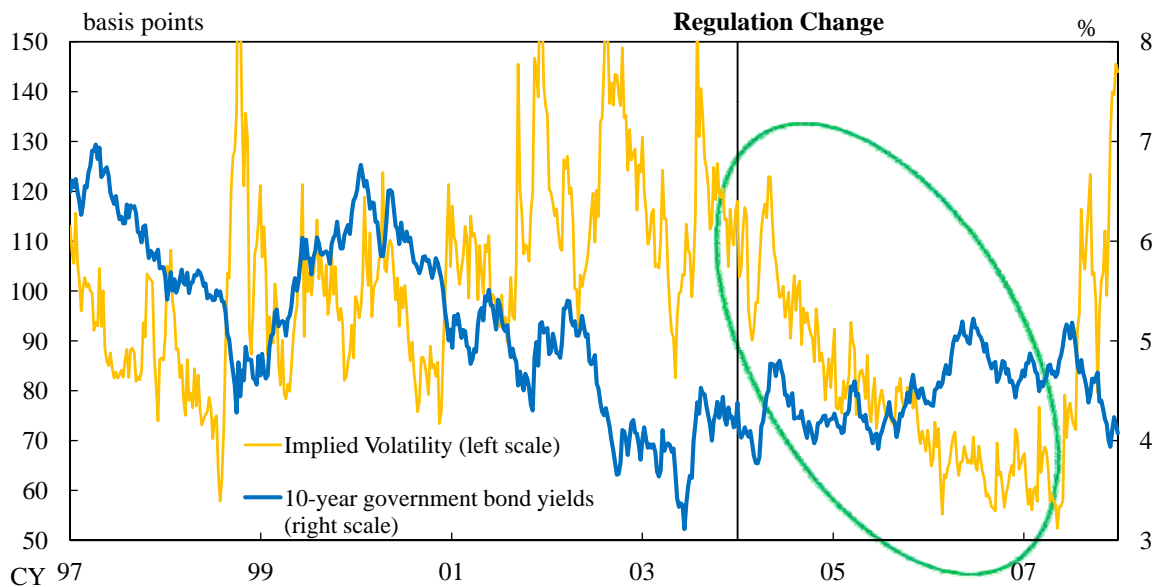
Capital Flow from China to U.S.



Note: The figures are the amounts of the flows accumulated from 1990.
Source: U.S. Department of the Treasury.

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(Chart 8) Remarkable Decline in Interest Rate Volatility after 2004



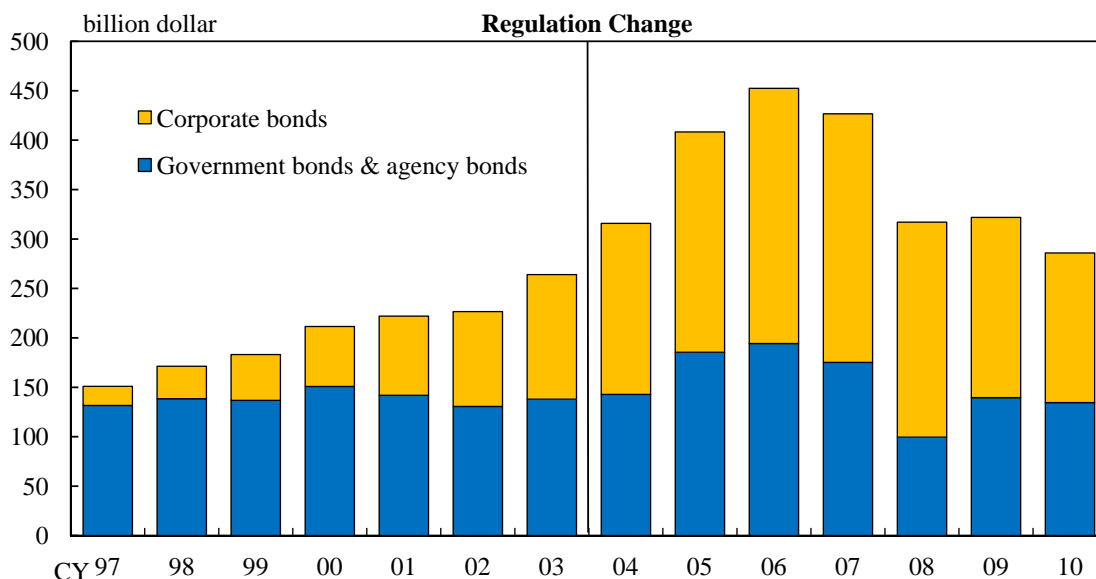
Note: The implied volatility indicates the weighted average regarding the implied volatilities of 2-year, 5-year, 10-year, and 30-year Government Bonds.

Source: Bloomberg.

8

(Chart 9) Acceleration of Capital Flow from European Countries, Especially into Corporate Bonds

Capital Flow from Eurozone to U.S.



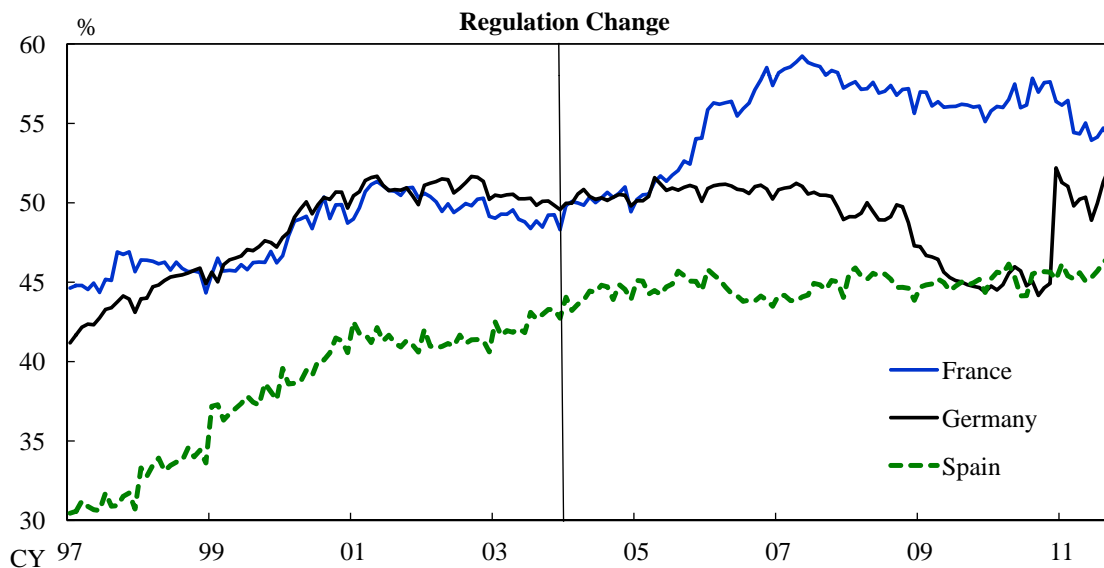
Note: The figures are the amounts of the capital flows accumulated from 1990.

Source: U.S. Department of the Treasury.

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(Chart 10) Heightening Dependency on Market Funding by European Financial Institutions

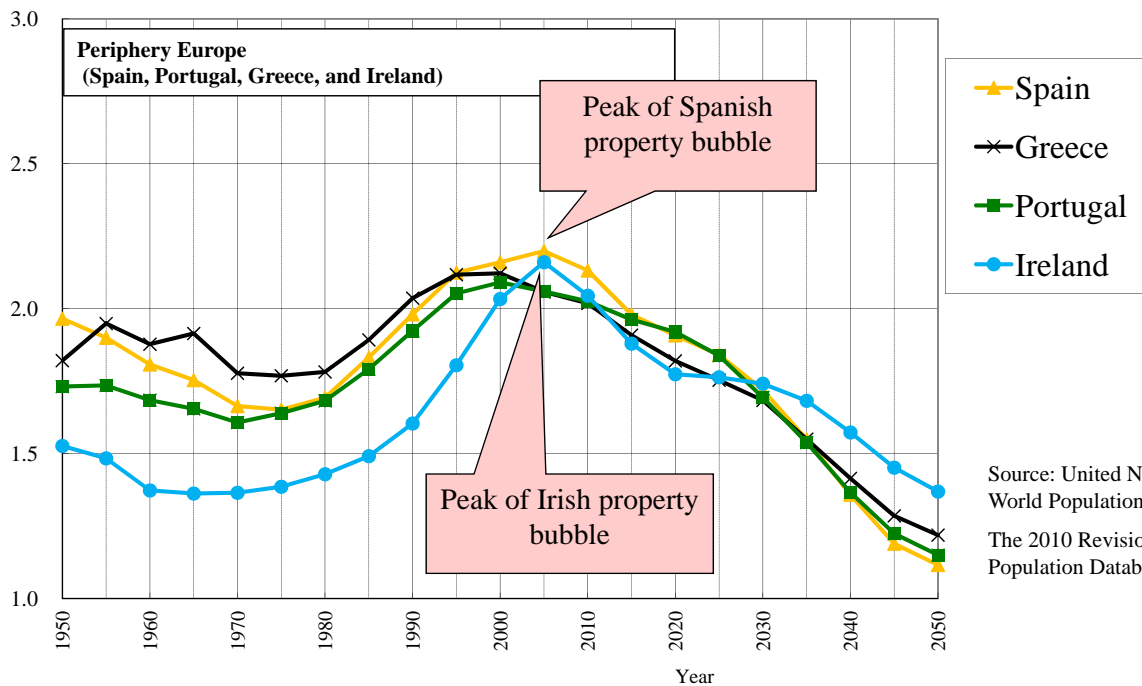
Ratio of Funding other than Deposits by Euro Area Residents



Source: CEIC.

(Chart 11) Population Change and Bubble: Periphery Europe

Inverse Dependency Ratio: Ratio of Working-Age Population to the Rest
= How many people of working age have to provide for one dependent person?



Source: United Nations World Population Prospects: The 2010 Revision Population Database