

# Collateral Knowledge

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- ten years studying public and private governance in the financial markets ethnographically in Japan mainly







integral dimensions of  
market governance

ignored because don't fit  
existing paradigms of  
compliance



## How to change the way people behave in the financial markets

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- how to bring their conduct into line with the substance of regulation rather than seeking loopholes or ways of getting around it
- e.g. exploiting accounting loopholes in capital adequacy requirements







People

# Vitally important

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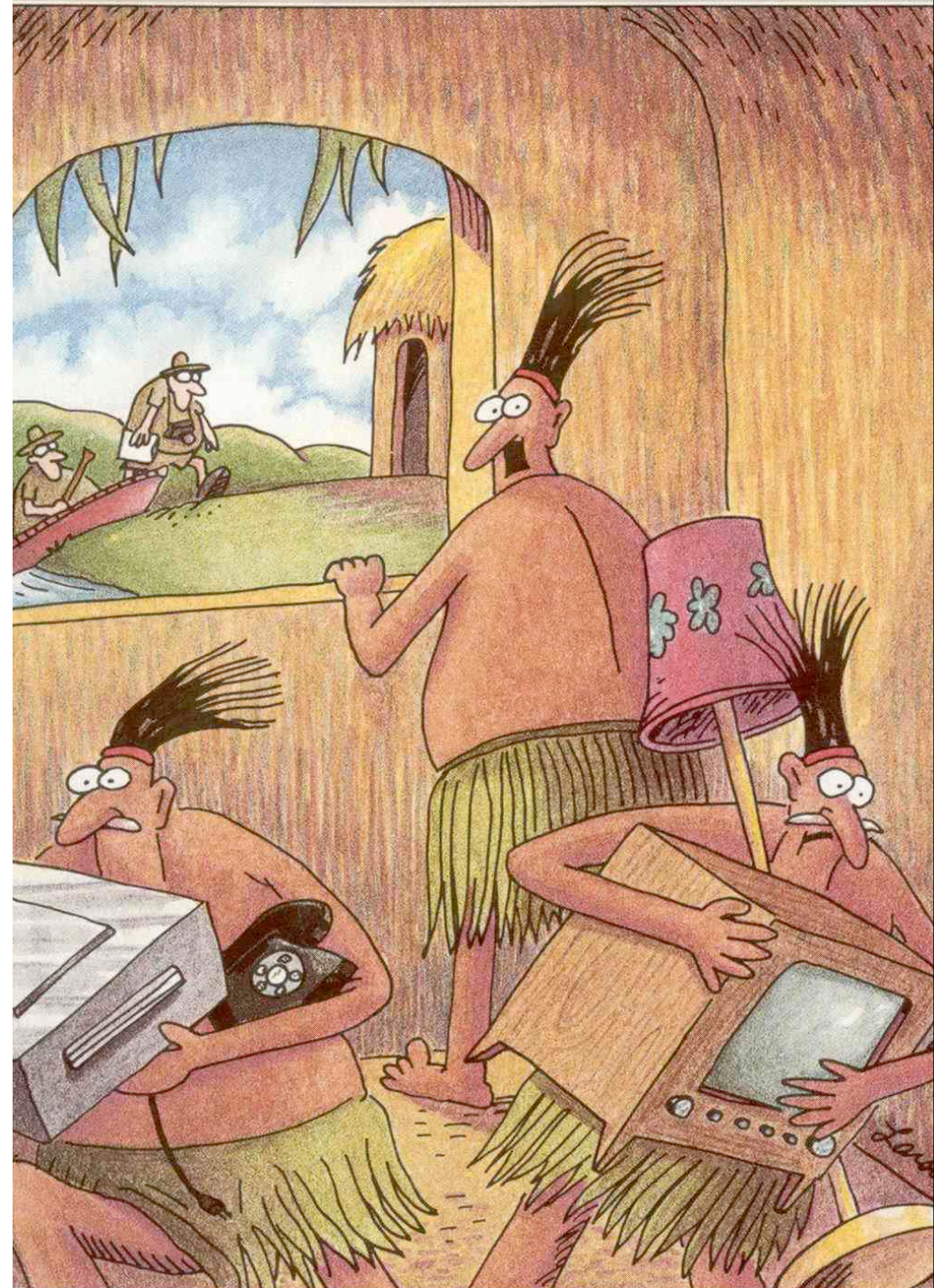
- ultimately it is only the ordinary, mundane, day to day acts by market participants that can make markets more stable, efficient, just, vibrant
  - everything government does is just a means to that end
- Need more nuanced view of how targets of regulation interact with regulation
  - Have to be brought in
    - financial architectures don't build themselves



# anthropological approaches

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focus on social, cultural, institutional, technical context  
what structures, practices, social forces, technologies influence behavior?  
long-term participant observation  
trust



“Anthropologists! Anthropologists!”

# what subjects don't realize about their own world

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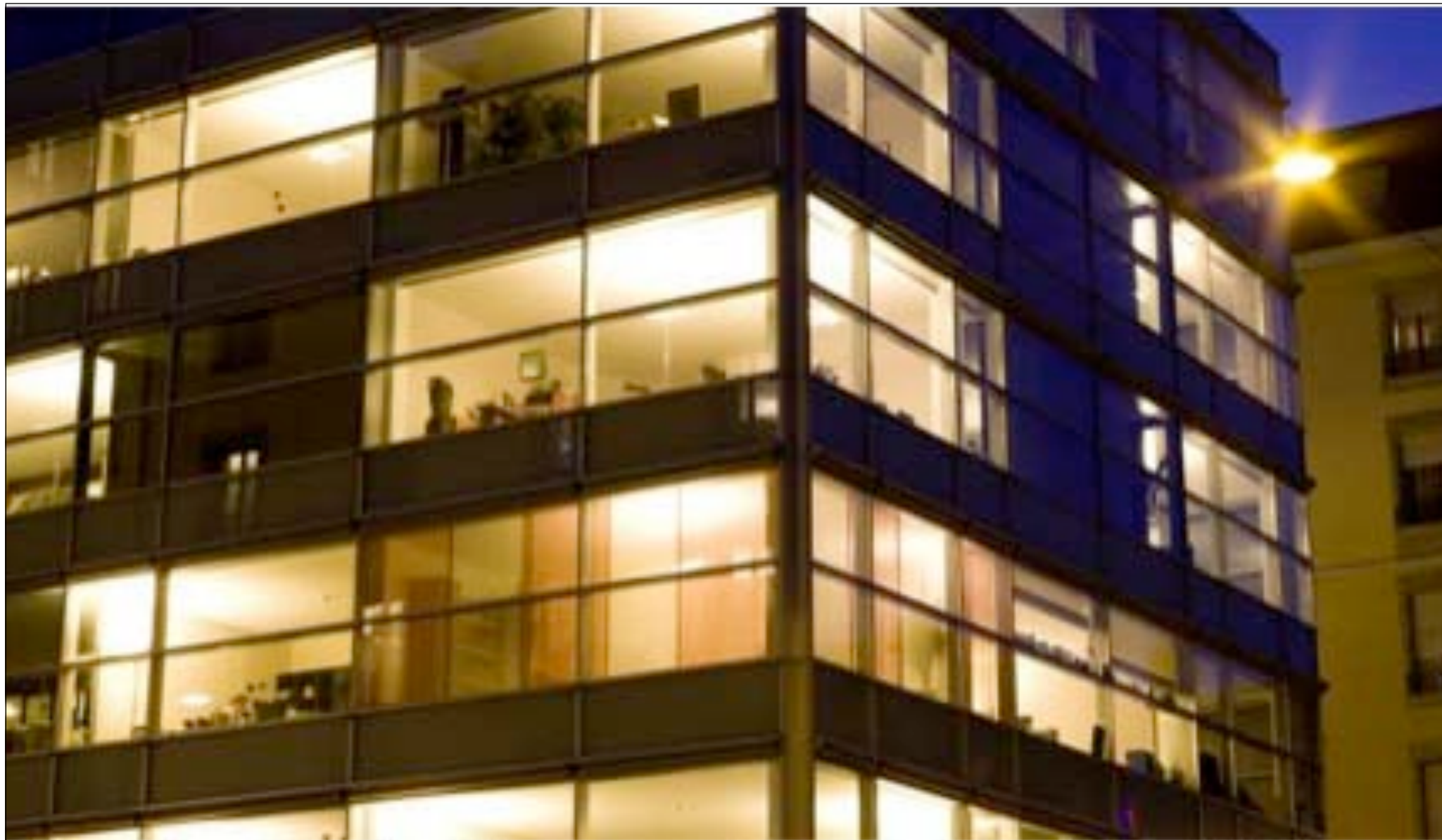
- need to be able to see what is missed because it is outside the paradigm
- connect the dots in a different way

# What do we see from this point of view?

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- we see a much more complex set of actors with much more complicated sense of motivations
  - hierarchies
  - conflicts
  - networks
  - misunderstandings
  - dreams





Financial governance does not happen only in legislatures or bureaucracies. It does not even happen mainly there.

# ISDA documentation

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- range of actors that surround it
- day to day form filling
- negotiation of documents
- translation, implementation of documents
- committee structure
- working with government on law reform
- resolving day to day disputes





# routinized but highly compartmentalized ways of thinking

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- document production
- legal problems
- dispute resolution

# actors we have ignored when we think about regulation

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- smart, hard working
  - writing para-academic articles
  - coordinating with other firms
  - working with regulators
- Meaning of work comes from belief they are changing the market for the better



# bridges for public/private cooperation

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- Legal staff at Bank of Japan and Ministry of Finance are actively connecting with compliance, legal staff in the market as professionals who share a set of techniques and concerns
  - they are in a better position to gather information
  - they are in a better position to push for reforms

# larger goal: develop a high prestige professional culture

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- creation of separate group of people whose own sense of professional responsibility and legitimacy is linked to building a stable, efficient market
- professionalism can be the bridge between public and private





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