



Securities Industry Association

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July 18, 2005

The Honorable Christopher S. Bond
Chairman
Subcommittee on Transportation, Treasury, the Judiciary,
Housing and Urban Development, and Related Agencies
U.S. Senate
Washington, DC 20510

**Re: Establishment of a U.S. Treasury Financial Attaché
in Key Financial Markets**

Dear Senator Bond:

As Chairman of the Committee on Appropriation's Subcommittee on Transportation, Treasury, the Judiciary, Housing and Urban Development, and Related Agencies, we respectfully urge you to include funding language for Treasury Attaché positions in Beijing, Brussels, and London, and other major financial markets, in the final Transportation, Treasury appropriations legislation for Fiscal Year 2006 (FY). We propose that by using funds from the Exchange Stabilization Fund, such positions would be used to advocate open and fair financial markets, consistent with the Secretary's obligation under the Gold Reserve Act of 1934 to promote orderly exchange arrangements and an orderly system of exchange rates. We have attached to this letter draft language that you might find of use. This funding would enable Treasury to establish a new program of dedicated, senior staff to advocate sound exchange rate policies and thereby to foster economic growth and stability.

First, given significant and growing U.S. commercial interests in China, we urge the establishment of a Treasury Attaché in this market. A Treasury Attaché in China will promote the ability of U.S. financial services firms to benefit from a market that contains 1.3 billion potential consumers, and by some measures will be the world's largest economy within the next 40 years. Expanded market access for U.S. financial services firms in China works to the benefit of both the Chinese and the U.S. economies – not merely for the short term, but for the long-term economic health and stability of these two trading partners. If U.S. financial services firms are to benefit from China's vast opportunities, it is critical that the U.S. Treasury engage in a day-to-day dialogue with their Chinese counterparts, and be able to both monitor and study developments of significance to the U.S. economy, investors and industry.

Secondly, at a recent hearing of the House Financial Services Committee Subcommittee on Domestic and International Affairs, the potential impact of the EU's Financial Services Action Plan on the competitiveness of U.S. financial services firms doing business in the EU and globally was discussed. The newly expanded EU – with 450-million potential investors and a Gross Domestic Product exceeding \$8.6 trillion – is a key market for the U.S. financial services sector and its clients.

The expected pace of change in the EU financial market over the next years, the complexity of capital markets legislation now in formation, and the growing role of the Euro in the international capital markets, justifies this type of focused presence at the center of the newly expanded EU. As a result, in order to ensure that U.S. interests in the EU are well represented, we strongly believe that the U.S. Treasury Department should establish a U.S. Treasury Financial Attaché in Brussels. In addition, in light of key role London's capital markets play in the global economy and foreign exchange markets, and the significant U.S. presence in these markets, we also recommend a Treasury Attaché be established in London.

The United States government can contribute best to this process – and can best ensure that U.S. firms are protected as it proceeds – if it has financial sector representatives present in Beijing, Brussels, and London to monitor developments and to offer advice and feedback on a continuous basis. Your leadership in advocating for such posts through ESF funding will help promote a more flexible currency regimes in China and other Asian countries; effectively manage the U.S.-EU relationship as the Euro's role grows in international finance; and help create fair, open, and functional exchange markets in less developed countries. If you or your staff has any questions, please feel free to contact me.

Sincerely,

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~~Signature Removed~~

John Anderson
Vice President, and Director
Legislative Affairs

David G. Strongin
Vice President, and Director,
International Finance

Attachment

Notwithstanding any other provision of law, the Secretary of the Treasury may transfer earnings from the Exchange Stabilization Fund (ESF) for the expenses necessary to be made available for senior posts, including non-career Senior Executive Service positions, and support staff in locations of strategic interest, including but not limited to Beijing, China. Such positions would be used to advocate open and fair financial markets, consistent with the Secretary's obligation under the Gold Reserve Act of 1934 to promote orderly exchange arrangements and an orderly system of exchange rates. The Secretary of the Treasury shall also transfer funds from the ESF to maintain an office of staff experts dedicated to foreign exchange issues and to manage certain data functions directly related to the formulation of exchange rate policy, including the Treasury International Capital System.