



April 3, 2012

Ambassador Gary Locke
American Embassy in Beijing
No. 55 An Jia Lou Lu 100600
Beijing, China

Dear Mr. Ambassador:

I am writing to you in advance of this year's S&ED to express SIFMA's continued concern over the inability of U.S. financial services firms to engage in China on a level playing field. We appreciated your recent remarks in Washington, D.C., as well as those in Shanghai, which underscored the need for China to end discriminatory practices and open further to foreign investment. We believe this year's S&ED offers an important opportunity to make progress on long-standing market access issues, most importantly equity cap restrictions in the financial services sector.

China remains one of the few major markets to impose substantial barriers to entry for U.S. financial services firms – indeed, China is the only G20 member which denies U.S. financial services firms majority ownership and choice of corporate form. A myriad of limitations and restrictions, including limits on equity caps and ownership limitations, currently constrain the ability of U.S. financial services firms and their customers to fully participate in the Chinese market. We understand these restrictions may not be eliminated immediately. Consequently, the next best alternative is a short and transparent transition schedule outlining a path toward full ownership. We attach a slide deck to this letter which highlights the lack of access provided to U.S. financial services firms in China, as well as a proposed transition schedule to eliminate equity cap restrictions.

While U.S. financial services firms operating in China face significant hurdles, Chinese financial institutions are expanding globally with operations in most major Western financial centers. Illustrative of this growth - four of the ten largest global financial institutions, including three of the top five, are headquartered in China. Only six years ago, China did not have a single firm in the top ten.

Importantly, Chinese financial institutions seeking to operate in the U.S. face no equity cap restrictions and must only meet prudential requirements set forth by U.S. regulators. The increased global profile of China's financial institutions and its capital markets – underscored by its Financial Stability Board membership, and its participation on IOSCO's Technical Committee – should be met with a corresponding reduction and elimination of discriminatory barriers to foreign firms.

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In addition to the onerous ownership limitations and restrictions, the industry faces other obstacles, including prohibitions on certain securities activities; opaque regulatory and discretionary licensing procedures; and restrictions on qualified foreign institutional investor and qualified domestic institutional investor quotas. Though past S&ED commitments have made progress in these areas, we urge further dialogue to ensure these barriers continue to be reduced.

As Chinese financial institutions expand abroad, U.S. financial institutions face an uphill struggle in China. We believe a continued and coordinated Administration strategy is critical if U.S. financial services firms are to achieve a level playing field and increased opportunities in China. We continue to suggest that frequent and ongoing dialogue with China, both formal and informal, will help facilitate changes in this respect. We thank you for considering our views, and look forward to working with you and your staff on these important issues.

Sincerely,

A handwritten signature in blue ink, appearing to read "Ken Bentsen", with a stylized flourish at the end.

Kenneth E. Bentsen, Jr.
EVP, Public Policy and Advocacy

c: The Honorable Lael Brainard
The Honorable Michael Froman
The Honorable Robert Hormats
Mark Sobel
David Loevinger
David Dollar
Sharon Yuan